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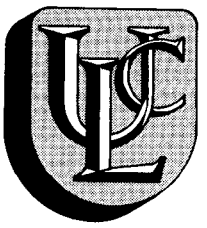

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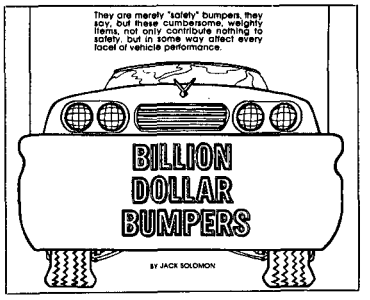
They are merely "safety" bumpers, they say, but these cumbersome, weighty items, not only contribute nothing to safety, but in some way affect every facet of vehicle performance.
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# letters

## Anti-Libertarian?

I was disappointed REASON chose to interview Louis "Woody" Jenkins [December]. If REASON is intended to further the libertarian cause, why glorify the activities of a man who consistently supports *anti*-libertarian causes.

Perhaps interviewer Machan simply did not have time to properly prepare for the interview. That he was *not* prepared is evidenced by these few examples:

- Jenkins tells us third parties are ineftual and that it's "very difficult for a [new] party to emerge." Why didn't Machan ask Woody what he was doing working for populist right-winger Richard Viguerie as floor manager in the latter's ill-fated attempt to take over the kooky American Independent Party at its national convention in 1976?
- Jenkins believes the Libertarian Party "draws off so many people who could be effective in the mainstream of political activity." Why didn't Machan ask Woody why he supported that "mainstream" populist-racist George Wallace for President in 1976?
- Jenkins tells us that reactionary Meldrim Thompson's Conservative Caucus has "a prominent libertarian element." Why didn't Machan ask Woody to name just *one* libertarian in the entire organization?
- Jenkins proudly points out how he has fought to eliminate the "fat" in his state budget. Why didn't Machan ask Woody why he is in favor of *increasing* the size of the bloated federal defense budget?
- Jenkins wants to create a government that will not "violate people's rights." Why didn't Machan ask Woody why he favors the CIA using covert activities to disrupt the internal affairs of federally selected foreign nations?

The libertarian movement will grow only if people continue to conscientiously, explicitly, and consistently identify with it. Simply because some power-lusting politician is willing to use the word libertarian is no cause to deify him. Jenkins' "libertarianism" is compromising at best. His sense of strategy would be suicidal to the movement.

**Edward H. Crane III**
**San Francisco, CA**

**Rep. Jenkins replies:** One of the main differences between Ed Crane and me is that I believe we can promote the cause of liberty by working within movements and institutions not already controlled by libertarians. For this, I offer no apology. On the contrary, I do not understand how we can grow and gain influence for the cause of liberty so long as we confine our activities to a single political party, a handful of publications and an occasional quixotic political campaign conducted to "educate" the public.

Another difference between us is that I do not huff and puff or engage in name-calling when my philosophical ies choose to pursue a different strategy from that I have adopted. That is why I applaud, rather than condemn, the efforts of Ed Crane and others to build the Libertarian Party. Although their strategy is not my own, I recognize that it serves a valuable purpose.

With regard to Ed Crane's specific charges, it is true that I supported Gov. George Wallace in the Democratic primary in Louisiana in 1976. Since I have chosen to work within the Democratic Party, I was given the choice of Jimmy Carter, Jerry Brown, and George Wallace in our state's primary. Gov. Wallace openly embraced many of the principles I espoused and asked for my support. He also asked that I serve as a member of the Democratic Platform Committee, which I did, and, interestingly enough, his only request was that, as a member of the committee, I express *my* views—not his. This gave me an excellent national forum to express libertarian views.

I did work with Richard Viguerie, publisher of *Conservative Digest*, in his efforts to influence the American Independent Party at its national convention in 1976. I chose to do this on a professional basis when Richard Viguerie hired my public relations firm for that purpose. He and I are close personal friends and agree on 90 percent of the issues. However, I must admit that our experience with the AIP convinced both Richard and me of the difficulties of working within a small, third party effort.

Ed Crane asked that I name just *one* libertarian in the Conservative Caucus. That is an absurd request since the group is stacked with libertarians, but I will name a few anyway. Some of the libertarians (and fellow travelers) include the following members of the Caucus' "shadow" cabinet: Congressman Ron Paul, secretary of labor; Sam H. Husbands, outgoing secretary of trans-

(*Continued on p.8.*)

# Tax Angles

## Yes, you *can* legally reduce your personal or business taxes. But depending on your tax advisor to show you how, could be the most expensive mistake of your life.

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Make no mistake: tax-saving strategies and loopholes *do* exist. Hundreds of them. But you can't sit back and wait for your accountant or tax lawyer to track them down for you and tell you about them. You've got to keep *yourself* informed about changing laws, new financial techniques, and what others in your field are doing to protect themselves from crushing taxes. Only *you* know your business and investments, and only *you* are prepared to identify potential areas of tax savings.

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- That businesses with substantial receivables can take a deduction for bad debt losses *before the loss actually occurs?*
- That the mail order business can be a tax shelter?
- That it's often better to pay some expenses with personal funds instead of with corporate funds?
- That it can sometimes pay for a married couple to file *separate* returns?

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8. How to Beat a Tax Audit.

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- That the incorporation of a one-man business will usually cost more in payroll taxes than it will save in income taxes?
- That fixing up real estate before you sell it can pay off in substantial tax savings?
- That you can save on payroll taxes by reading a *free government publication* explaining which types of wages are tax-exempt?
- That no one is required to pay more than 50% of his earned income for federal income taxes?

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# Toward an Educational Renaissance

## editorial

Joseph and Anne Karpie of Buffalo, New York, are faced with a cruel dilemma. To give the oldest of their four children, 14-year old Martin, a good education, they have enrolled him in a private secondary school. To afford the $3200 a year tuition, Mr. Karpie works 72 hours a week at two jobs and Mrs. Karpie works 25 hours a week, besides caring for the children. Yet the Karpies are still forced to pay several thousand dollars a year in property taxes, sales taxes, and income taxes to support the public schools.

The Karpies, and millions of parents like them, are not the only ones being victimized by our system of forced education funding. Millions of single people, childless couples, and retirees are also forced to pay billions of dollars each year for a public school system they do not use—and from which they derive scant benefits.

To be sure, all of us benefit in a general way from living in a literate society, which the schools are supposed to make possible. But there are solid grounds for questioning whether today's public schools can do even that. A recent study by the US Office of Education found that 20 percent American adults are functionally illiterate and unable to cope with the demands of daily living in our society. And for minorities the figures are even more shocking: 44 percent of blacks and 56 percent of Spanish-surnamed individuals were found to be functionally illiterate.

These dismal figures were reinforced by the results of last fall's Functional Literacy Test in Florida high schools. In metropolitan Jacksonville 14 percent of the high school juniors failed the (8th grade level) English section and 45 percent failed the math section of this new test, which students must pass in order to graduate. And who among us is unaware of the precipitous 10-year decline in scores on the Scholastic Aptitude Test and Graduate Record Exam?

But more than just the decline in educational results is driving parents away from public schools. Parents are increasingly alienated from the ever-expanding educational bureaucracy. In theory local school boards provide for local control, but in the past two decades the size of the average school district has increased tenfold, and much of the control is now vested in state capitals—and in HEW. Teacher strikes have become increasingly common, replacing the concept of teaching as an honored profession with the factory notion of labor-management bargaining. The ability of schools to fund adequate programs is increasingly threatened by the (understandable) tendency of voters to turn down nearly all school bond issues. Violence has become commonplace in public schools, with 70,000 teachers seriously injured by student attacks each year. Drug use is common in junior highs, and is now becoming a problem in elementary schools. And then, of course, there's busing—a program premised on the belief that black children cannot possibly achieve unless sitting next to white children!

In the face of all this, it is no wonder that enrollment in private schools is growing, even while the total number of American students is declining. In California, for example, private school enrollment increased by 2.9 percent last year, while that of public schools dropped by 0.9 percent. Nationwide, private schools account for about 11 percent of total enrollment, a number that is gradually increasing despite the closure of many parochial schools over the past decade due to lack of funds.

Yet the gross injustice remains. Parents who wish to save their children from the perils of public schools are forced to pay twice, while millions of others—nobody really knows how many—put up with the public schools in quiet resignation, because they simply can't afford the private alternative.

Many thoughtful people have analyzed this situation, seeking some kind of solution. Abolishing the public schools would, of course, place the responsibility for education back where it belongs, with the individual parents. But in 1978 America, abolition is considered unthinkable. Another approach is Milton Friedman's education voucher idea—to distribute education tax receipts to parents in the form of vouchers cashable at any school, public or private. As promising as this idea may appear, its political prospects appear close to zero.

But there's a third reform proposal, one that's been around quite a few years, which now appears to have an excellent chance of being implemented. That idea is the *education tax credit*. Briefly, it would amend federal tax laws to permit anyone paying for private schooling to deduct all or some portion of the cost directly from his federal income tax. Note that this is far more than a tax *deduction*—it is a direct dollar-for-dollar reduction in the amount of tax owed. To the extent that the credit approaches 100 percent of the actual cost of private education, it eliminates the unjust double payment imposed on those choosing private schools.

Legislators such as Barry Goldwater have been sponsoring college tuition tax credit bills for more than a decade, but in the past few years the idea has begun to pick up broad, bipartisan support. The Senate has actually passed tax credit legislation three times in the past 15 months. Delaware's Senator William Roth won headlines in December for attempting to add a $250 tuition tax credit to the Social Security tax bill.

But the real breakthrough is the recent bill introduced by Senators Packwood and Moynihan, with 41 cosponsors. Their bill would provide a tax credit of one-half the tuition up to $500 for *each* member of a family enrolled in *any* sort of private school: elementary, secondary, college, adult education, trade school, or vocational school. Senate action on the bill is expected in the spring session, and if it passes, there's a fair chance of similar legislation getting through the House.

The Packwood-Moynihan bill, though evolutionary in form, is revolutionary in potential. At one stroke it would open up the market for private education, setting in motion a potentially unstoppable chain of events. Think of the millions of parents fed up with public schools but unable to scrape together the necessary tuition on top of their heavy tax burden. Think of the thousands of excellent teachers whose creativity and drive are being slowly extinguished in the nightmare of the public school classroom. The potential for revitalizing American education is enormous.

Of course, to the extent that the measure is seen as promising massive change, to that extent will it be strenuously opposed by the educational bureaucracy and its unions. Far better that it be argued for on the simple grounds of ending the injustice of forcing parents to pay twice.

But argue for it we must. This magazine seldom endorses specific legislation, but in this case we are making an exception. *Enactment into law of the Packwood-Moynihan education tax credit bill should be the number one libertarian legislative priority of 1978.* At no time in recent history has there been such an opportunity to disestablish the monopoly of the public schools. The tax credit issue is one we must win.

Robert Poole, Jr.

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# letters

(Continued from p.4.)

portation; Dr. Henry Hazlitt, chairman of the President's Council of Economic Advisors; Professor Hans Sennholz, secretary of the treasury; Congressman Steve Symms, secretary of agriculture; John McClaughry, secretary of housing and urban development; Dr. Tibor Machan, assistant secretary of state for human rights, and me. May I also say that Ed Crane was requested to submit the names of libertarians to serve in the "shadow" cabinet but he refused to do so.

As to the suggestion by Ed Crane that I favor an increase in the size of the federal defense budget, that is false. As to the suggestion that I favor the CIA using covert activities to disrupt "the internal affairs of federally-selected foreign countries," I don't really understand what he is referring to.

Ed Crane suggested that I am "power-lusting." How he can in good conscience make such a statement is for him to decide. However, I submit my public record, embracing more than 5,000 record votes on substantive issues before the Louisiana Legislature and the Louisiana Constitutional Convention. If Ed Crane or anyone else can find any one of those votes to indicate that I am "power-lusting," he will have accomplished something no one else has been able to do.

In summary, I believe that if we hold true to our principles—individual rights, non-initiation of force, limited government, free enterprise, and fiscal responsibility—we need have no regrets or make any apologies.—**W.J.**

**Ms. Zupan replies:** I am surprised that in this enlightened age Mr. Crane chose to ignore that I, also, was one of the interviewers. But, not only did I share in the interview, I also had the most say in its final content, since I do the editing for REASON and my judgment is generally trusted.

As Crane must know (being involved himself in the production of various publications), space considerations often, even if lamentably, are crucial. As a matter of fact, several of the specific issues Crane raised in his letter were probed in the interview but had to be cut. Thus, for example, a several-page discussion of national defense—whether or not it's necessary, its proper proportions, its proper financing, etc.—was left out. So also, we had to cut a quite accurate characterization of the people making up the Citizen's Cabinet—Jenkins by no means maintains that it's a libertarian organization. And so on.

What is perhaps more at issue is that we concentrated on topics we (Dr. Machan and I, not REASON or the libertarian movement) were interested in rather than those Crane is interested in. Well, that's interviewing. In the upcoming interview of Robert Nozick in *Libertarian Review*, how many questions are not asked that would have been asked by other people—Rothbard, Hospers, Machan, Childs, Crane? And many would not consider Nozick a true-blue libertarian; after all, he wants a *government*. Should *Libertarian Review* therefore not interview him?

In justification of what *was* talked about and then included in the published Jenkins interview: Lots of people have lots of things to say on lots of issues, some of which we would judge to be of interest to REASON's readers. And Jenkins' comments on defense, e.g., *were* interesting. But we couldn't include everything and decided to focus on what is unique about him. He sits in a state legislature; he's been elected to office and is in a position to do certain things to further the prospects of liberty. Among the small enough minority even professing an interest in that end, he has had unique experiences and evidently can have influence on some things—Louisiana's licensing laws, for example, but not national defense. So we elected to spend the most time on issues more than less related to his present major endeavors. —**M.Z.**

## Arch-Conservative

I was very interested in your "Interview with Woody Jenkins" [December].

Certainly on many issues Representative Jenkins is worthy of support, but this does not mean he can be considered as a libertarian. For example, could a libertarian have endorsed Jimmy Carter for President? Jenkins did. Would a libertarian have introduced a resolution (during the Vietnam war) "To express the support of the Louisiana House and Senate for President Nixon's renewed bombing of North Vietnam"? Jenkins did.

On economic issues Jenkins is very solid, indeed he is a leader of the drive against increased taxation and control. When other issues come up, e.g., in the last session of the legislature, the reduction of the penalty for possession of marijuana, Jenkins is suddenly very quiet.

Does he worry about the Libertarian Party drawing off people from his campaigns? Hell, he's seduced a number away from us. In fact, to this day we don't have an effective organization in Baton Rouge, principally because as soon as a person gets interested in freedom, Jenkins gets them, and then they seem to drift out of politics.

Speaking generally, he is a strong conservative, with many important libertarian leanings. But across the state, he is seen by the media people, and by most people who know of him, as an arch-conservative. Since he will be running for the Senate in 1978, the big problem we libertarians will be facing, especially if he tries to pin the libertarian label on himself, is to convince the people of Louisiana that libertarianism and conservatism are very different things.

**Dr. Jerry Millett**
**State Chairman**
**Libertarian Party of Louisiana**

**Rep. Jenkins replies:** First, I have never "endorsed" Jimmy Carter as such and think his presidency is a disaster.

Second, with respect to the marijuana issue, not everyone agrees that I have been silent. For example, *Gris Gris*, the underground newspaper in Baton Rouge, said recently, "[Jenkins'] libertarian philosophy gives him tremendous flexibility on social issues—he doesn't flinch about his support for decriminalization of marijuana."

In the Louisiana Libertarian Party's only rating of the state legislature back in 1973, Dr. Millett chose 26 key votes and assigned each legislator a "rating." The rating assigned to me was 100 percent, the highest given. The second highest rating, 68 percent, was awarded Rep. Charles Lancaster. As Dr. Millett said in the state party newsletter at the time, the fact that only *seven* of the 105 state representatives scored even 50 percent on the survey demonstrated "the sad condition of Louisiana politics" at that time.

On the other hand, the condition of Louisiana politics has improved considerably since 1973, but I remember seeing Dr. Millett around the legislature, trying to change things, only once since then. That was when he came to Baton Rouge to protest a bill proposed by the governor to raise the petition requirements for presidential candidates from 1,000 signatures to 10,000 signatures. I took up the cause when no one else would and killed the governor's proposal. I also succeeded in passing a change in the state's election law to allow Libertarians and others to register to vote under their party name, something they were unable to do until then.

Dr. Millett's implication that I am soft on social issues is indicative of his failure to keep up with what's going on in the legislature. He should have been there when I *succeeded* in passing legislation

to do such diverse things as 1) legalize the possession, sale, and use of laetrile in Louisiana, 2) legalize the possession, sale, and use of saccharin, 3) legalize the practice of chiropractic, 4) prohibit the involuntary sterilization of welfare recipients and others, 5) repeal the mandatory use of helmets by motorcycle riders, 6) repeal the compulsory immunization of public school children, 7) provide constitutional safeguards for the right to privacy, 8) provide constitutional safeguards against torture and "excessive" criminal penalties, 9) guarantee the restoration of all political rights to persons who have completed their criminal sentences, 10) provide a "bill of rights" for mental patients and restrict involuntary commitment, 11) provide due process safeguards for the so-called "criminally" insane, 12) protect the privacy of persons' medical records, 13) provide for the privacy of their bank records from government inspection and so on. And he should have been there when I *helped kill* legislation to do such things as 1) require persons to list their Social Security numbers on all traffic tickets, property transfers, and court suits, 2) strengthen the compulsory school attendance law, 3) prohibit the possession of so-called Saturday Night Specials, 4) prohibit the possession of hypodermic syringes without a doctor's prescription, 5) strengthen so-called anti-obscenity legislation, 6) enact new campaign finance "reform" legislation which attempted to set dollar limits on the amount of speech in a campaign and many, many others.

Dr. Millett should have been there because he would have enjoyed these events as much as I did.—**WJ.**

## Biting Wit

I really appreciate the biting wit and satire of Alan Reynolds in his October Viewpoint, "The War on Energy." Am I imagining things, or is there a smirk on the face of Mr. Reynolds' picture? Keep up the good work.

**Paul Thiel, A.P.M.**
**Covington, KY**

## Seeking the Truth

Here is my unequivocal Bravo! and appreciation for Edith Efron's "Viewpoint" [November] on secular fundamentalists among libertarians. Those of us who have devoted so many years overcoming our ignorance in order that we may make some small effort toward the revitalization of liberty in our society have long since lost patience with the cultist mentality we encounter among libertarians—anarchists and objectivists alike.

I find that not only are these people so blinded by their reductionism that they can't recognize allies who are not schooled in the gospels of Rand and/or Rothbard, but that they sorely lack any comprehension of what their position is all about. Too often their belligerent disrespect for certain individuals of opposing ideas cloaks a disrespect for ideas, period.

To hear them tell it: they're right and everybody else is wrong—*always* and about *every*thing. But the truth can be found in many places and recognizing this fact does not make one eclectic, but frees him to understand the challenge that the discovery of truth entails. To find the truth about things one must be intellectually adventurous, have some notion of the nature and characteristics of truth and be ever on guard against the Great Lie that truth stands isolated. Neither life nor human nature is that simple. *All* of truth about reality and man's appropriate place in it is not found in *Atlas Shrugged, Man, Economy & State,* or *Human Action.*

The movement can use more intellectual kicks in the backside by thinkers like Miss Efron. I welcome her appear-


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# reason's comment of the month

The letter below, by subscriber Murray S. Feldstein, appeared in the Sept. 24, 1977 issue of the *Arizona Republic.*

## RIGHTS ABRIDGED

The letter written by Cecil Baker of Prescott attacking the legalization of marijuana advocates a viewpoint held by many otherwise thoughtful citizens who would pave our way to hell with good, albeit misguided, intentions.

Whether or not marijuana is injurious to health is quite beside the point. Alcohol is certainly at least as dangerous, but prohibition of that drug earlier in this century did nothing to improve public health or morality and was probably responsible for the phenomenal growth of organized crime. The simple truth is that drug-pushers could not survive without the stupidity of government sanctions that push the cost of otherwise inexpensive drugs to the point where addicts are forced to steal in order to maintain their habits.

There are more important public health menaces than marijuana; presumably Mr. Baker has had access to those other HEW reports that correlate obesity and overeating with diabetes, heart disease and stroke. I would hope he would not seriously advocate the compulsory restriction of calories by the Bureau of Dangerous Drugs simply because these diseases are the nation's number one killers.

As a physician, I am even more appalled by the senseless and negligent slaughter on our highways each year; but for practical and moral reasons I do not feel the government has the right to confiscate my automobile.

I fervently pray that I can instill values in my children that will allow them to find a deeper meaning to life than that provided by the "ups" and "downs" of illusory hallucinogens. However I do not feel that government or Mr. Baker has the right to tell me what I can eat, drink, or smoke. To do so is to infringe upon my right as a free human being in a supposedly free society to dispose of my body as I see fit, as long as I do not coerce, cause injury, or infringe upon the rights of another free human being. We certainly must severely punish drunken drivers, but not by doing away with alcohol for everyone.

I may not agree with what you smoke, Mr. Baker, but I shall defend to my last your right to smoke it.

Murray S. Feldstein, M.D.
Flagstaff

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ance in REASON and say again: Bravo!

**Anne Wortham**
**Brighton, MA**

## Virtue and Freedom

In discussing David Norton's *Personal Destinies* [November], Marty Zupan states that "it is a very important book for all those concerned with defending individual liberty as right and good for people." After noting the importance of building the case for ethical individualism "cannot be overemphasized," she then asks: "For if there is no *virtue* in individuals' pursuing their own lives, how can it be *politically right* to let them do so?"

That question shocks me because it sounds like this: "For if we can't convince the warden that there is virtue in freedom, how can it be right for him to release us?" The question also implies that individualism is wrong until proven right.

I, for one, take the opposite tack and rephrase Marty's question as follows: "For if there is *virtue* in individuals' pursuing their own lives, how can it be *politically right* not to let them do so?" Not much difference, but it makes all the difference.

**Guy W. Riggs**
**Poughkeepsie, NY**

**Ms. Zupan replies:** A question is, of course, a rhetorical device and not an argument.

But consider the following conditional argument:

1. If each person should pursue his or her own life, then it is politically right to abstain from interfering with people's lives.

2. Each person should pursue his or her own life.

3. Therefore, it is politically right to abstain...

My question relies on this argument, but it does *not* imply that if (2) is denied, (3) is not true. (That would be a logical fallacy.) Rather, it asks: How *can* we arrive at (3)—the conclusion that political liberty is right—if not by this argument? And if by this argument, then establishing that each person *should* pursue his or her own life is paramount. Framing the question as I do, I imply that, compared to alternative arguments concluding with political liberty, this one is the best we have going for us—providing that (2) is shown to be a true premise. And this is why David Norton's defense of ethical individualism is to be welcomed.

Just for the record, convincing the warden is immaterial to the point. "Wardens," ruling elites, and their ilk can ignore good arguments, refuse to act in accord with sound conclusions, in short remain unconvinced—which changes the truth not a whit. On the other hand, precisely because people are such that they *can* and ought to pay attention to good arguments, having a sound argument for liberty is vital to instantiating it in a way that does not undercut the very principle at issue. —M.Z.

## Emotional Approach

Your editorial on "Legislating Unemployment" [December] should be duplicated and sent to the editor of every black newspaper in the nation. They can break the almost unanimous votes for Democratic politicians once they realize how badly they are being had.

You are much too nice. There should be another magazine parallel to yours that calls names. I realize you take the intellectual approach, but most of the voters are moved by emotion, and you are cold.

When the President votes to make a million jobs, knowing that the Treasury has to borrow as much money out of the reach of private business to do it, so there cannot be a job added to the system his way, he is a liar, a brutal, perjured, morally contemptible bandit. That kind of approach will reach headlines whereas

(*Continued on p. 48.*)

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# brickbats

☐ **Pause and savor this one,** which is from a genuine *New York Times* editorial, so help us: "Soviet weapons cannot make war on Israel if the Egyptians (and the Syrians) refuse to provide the cannon fodder." (December 6, 1977.) Perhaps the *Times* really does think that it's weapons that "make war." And why not? The paper's support for gun control only makes sense if you believe that guns commit crimes.

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☐ **Governor Jerry Brown** of California no longer wants us to lower our expectations but to raise them; into geosynchronous orbit, in fact. The Zen Statesman has become enamored of the space program and now believes orbiting space colonies (a la Gerard O'Neill) and thousand-megawatt solar power satellites are Small enough to be Beautiful. Only a cynic would suggest that Brown is merely trying to drum up support for a 1980 presidential bid or put any credence in the "senior NASA official" whom *New Times* quotes as lamenting: "Every time Jerry Brown says something about space, the [Office of Management and Budget] comes after our budget." Supposedly NASA contractors have also been "encouraged" to shun Brown. But they won't do so indefinitely, not if he keeps up the coy remarks about the California state budget surplus being "just slightly smaller than the entire NASA budget." (*New Times*, December 9, 1977.)

☐ **There are those who cannot forgive Milton Friedman;** not for inventing income-tax withholding (which he did, during World War II), but for advising the Chilean junta on how to revive that country's moribund economy. (That the junta took his advice and that consequently Chile is in better economic health than it ever was under the socialist Allende, only compounds the felony, it seems.) What won't they say when they learn that libertarian economist Friedrich Hayek has been lecturing in Argentina, at the request of the Argentinan junta's Finance Minister? We can hear the *Washington Post* ululating already —which would be rather unfair. The Argentinian junta seems different than most; its three members say they'll resign in March 1979, after picking their successors, and elections will be held sometime afterwards. And Mr. Evan Galbraith (no relation to John Kenneth) quotes a "senior officer" in the regime as saying that "The basic constitution [of Argentina] is fine and will be kept. We will change only the electoral process. No former politicians will be allowed to run." (*National Review*, December 12, 1977.)

☐ **Readers who were offended** by that infamous ad in the November 1977 REASON exposing Wendy McElroy's undernourished backside had better skip this one: in the current issue of *CoEvolution Quarterly* Ms. Josephine Hall, M.P.H., discusses the latest theories of what causes cervical cancer. It has long been known that virgins, nuns, and lesbians rarely suffer from cancer of the cervix; now "some studies" suggest that sexual intercourse may, in fact, cause the disease. The "most likely" agents, says Ms. Hall, are the enzymes in semen that weaken the ovum's cell wall and allow a sperm to fertilize it. At certain times, these enzymes may attack the cells of the cervix and stimulate them to cancerous growth. (The National Institutes of Health are also investigating a possible link between intercourse and prostate cancer, by the way.) If it is finally proved that semen does cause cancer, we may yet see fellatio outlawed by the Food and Drug Administration—probably to sycophantic applause of all the liberals who hooted when Anita Bryant denounced the practice as violating biblical dietary laws. But then, the FDA seems to be a far more popular deity than the one who wrote Leviticus.

☐ **Character Assassination Dept.:** In a piece on the National Women's Conference in Houston, the *Village Voice* (December 5, 1977) remarks that "Betty Ford seems a true feminist...(Her speech is strangely slurred—the press corps is diverted by the question: Is she drugged or drunk?)." According to the December *American Opinion*, White House press secretary Jody Powell is "a man who was expelled from the Air Force Academy for cheating." Libyan strongman Colonel Qadaffi called Israeli prime minister Begin "an anti-Semite" (Arabs are also Semites, of course). *Village Voice* columnist Alexander Cockburn cites the testimony of an ex-schoolmate of Egyptian president Anwar Sadat that "even at school Sadat was a treacherous, slimy type, constantly double-crossing his chums and sneaking to teacher." Then there was the Damascus newspaper headline "Sadat Went to Israel to Lick the Zionist Boot." In reply Sadat called his Arab critics "ignorant and moronic dwarfs." It's enough to make yr hmbl srvnt weep, in despairing admiration.

☐ **If you can't understand all the hoopla** over the Crown of St. Stephen, the *New Republic* (November 19, 1977) puts it all into historical perspective: "According to Hungarian law preceding the republican constitution of 1946, the crown was a legal person. The Holy Crown owned the territory of Hungary, and Hungarians were formally its subjects, not the king's." So we need not comment on the claim that Carter would be "conferring legitimacy" on the Hungarian communist regime by giving it the crown (which the United States got from the Hungarian fascist regime's Crown Guard in 1945), except to note that Kansas Senator Robert Dole wants a court injunction against the transfer. But Dole shouldn't be judged too harshly. He needs some gimmick to make himself into a credible presidential candidate for 1980—and the Panama Canal issue won't do; as Dole points out, "Reagan found it, he built it, and he's going to keep it."

☐ **One Frank Snep has written a book,** *Decent Interval*, on the Vietnam debacle, which tells of how CIA chief William Colby "vigorously defended American policies in Vietnam, particularly the Phoenix [assassination] and pacification programs, which he suggested would have won the war had it not been for the North Vietnamese army." Those little details will trip you every time.

Bill Birmingham

# trends

## Airline Competition: It Works

Price competition is proving to be healthy for the airline industry and is starting to dispel some old myths. Not only has Freddie Laker's Skytrain service between New York and London turned a nice profit for itself (nearly $870,000 in just the first 11 weeks), but Laker's competitors—Pan Am, TWA, and British Airways—who reluctantly matched Laker's prices, are enjoying larger profits on the route. A TWA spokesman has confessed that airline fears that competition would merely spread existing business thinner have proved unfounded.

Skytrain has proved so successful that Laker has now petitioned to serve the Los Angeles to London route for $455 round trip, less than half the existing off-season economy fare. In response, Pan Am announced that it will offer budget fares starting this spring and will continue them whether or not Laker wins approval. Laker hopes to get the OK in time to start the new service on the first anniversary of Skytrain, September 26. (It required six years to obtain permission for Skytrain.) Laker's other proposals include advance booking charter fares of about $233 roundtrip between London and the west coast and $161 roundtrip between London and New York.

Other airlines are finding that cutting fares can be good business, too. Pan Am has proposed a special budget fare for flights between the United States and Asia, which will reduce rates by 50 percent. Pan Am is also talking about leaving the International Air Transport Association, the cartel which has set international air fares for nearly all the world's airlines.

In an effort to raise the average load factor on its Los Angeles to Albuquerque run from a dismal 30 percent, Texas International cut the fare from $76 to $38 and saw the load factor climb to 90 percent. And TWA, innovator of the Super Coach fare between Chicago and Los Angeles, has nearly doubled the passenger growth rate and turned a perennial money loser into a profitable route.

The airline industry is slowly learning that old-fashioned price competition can be the solution to a stagnant market.

SOURCES:
- "Laker Skytrain Service Shows Profit," *Aviation Week*, Nov. 21, 1977, p. 23.
- "LA-London Round Trip Would Be About $455," *Los Angeles Times*, Dec. 13, 1977.
- "Cutting Fares Is Healthy, Major Airlines Discover," *Ibid.*, Nov. 6, 1977.
- "Pan Am May Quit Fare-Sharing Group." *Ibid.*, Oct. 25, 1977.
- "Low Fares Kindle Chicago-LA Market," *Aviation Week*, Nov. 14, 1977, p. 26.

## Protectionism Stunts Growth

A study conducted by two Geneva-based economists, Jan Tumlir and Richard Blackhurst, states that economic expansion in the West has been slowed by a revival of protectionist trade policies. The 90-page report released by the General Agreement on Tariffs and Trade (GATT) argues that the rise in protectionism reflects a refusal to adjust to changing patterns of supply and demand.

Tumlir traces the trend to the growing affluence of the 1960's, where increased wealth coincided with an increased desire for stability. "As societies become richer, they start to trade off growth for convenience, and efficiency for stability," he says. "This is an illusion. You can make the trade-off in the short run but not in the long run. It catches up."

The report predicts that the present increase in protectionism will eventually lead to a "vicious" downward spiral in the economy, with protectionism leading to decreased growth and thus to cries for more protectionism.

The GATT economists argue that the liberalization of trade would lead to increases in domestic consumption and production, and also result in more competitive domestic industries and stabilized prices, as a direct result of import competition. While free trade will result in a more efficient economy, Blackhurst and Tumlir concede that it is going to be a difficult taks to convince people of this fact. "The problem is that the guy who is threatened in shoes is vocal, but we never have the name and address of the guy who is going to get the new job in machinery." In other words we see only where the money is *now* going but not where it *will be going* without protectionism.

The report further states that "Protectionist developments have in common a refusal to adjust to change.... While initiated by private interest groups, this resistance to change has been made effective through the support of governments which have introduced protective measures...which in turn has inhibited economic growth."

While most conventional economists reject the approach that such structural causes are behind today's lack of growth, and still look toward monetary and fiscal stimuli as the solution, the GATT analysis is starting to win converts.

SOURCES:
- "Why Industrial Nations Aren't Growing," *Business Week*, Nov. 21, 1977, p. 138.
- "GATT Study Warns Against the Growth of Protectionism," *Wall Street Journal*, Nov. 29, 1977.

## Deregulation Rolls Along

William Cassels, chairman of the American Trucking Associations, recently stated with alarm, "There is pressure from more areas [for deregulation] than ever...." Examples of this pressure are easy to find.

*Item:* Over the protests of regulated truckers, a Senate subcommittee headed by Sen. Edward Kennedy—the same committee whose deliberations three years ago kicked off airline deregulation—held the first hearings in years late last year on trucking industry rate-making procedures.

*Item:* Using the Kennedy hearings as a focal point, the Carter administration announced that it favors substantial reductions of the limits on entry to the industry and giving truckers general freedom to set their own rates.

*Item:* The Antitrust Division of the Justice Department joined the advocates of deregulation when Assistant Attorney General John H. Shenefield, chief of the Antitrust Division, testified before the Kennedy subcommittee.

*Item:* Upon completion of a commissioned study of the effects of truck deregulation on small communities, the Senate Commerce Committee, under Chairman Warren Magnuson, will begin holding hearings sometime this spring.

The Interstate Commerce Commission limits entry into the trucking industry, controls the routes trucks are allowed to take, and has the final say-so on industry pricing. Academic sources estimate that abolition of ICC regulations would lower trucking rates about 20 percent, resulting in savings to the public of about $3 billion a year.

ICC Chairman Daniel O'Neal is fighting deregulation, arguing that it would eventually result in monopolies within the industry. But Antitrust's Shenefield thinks there is no fundamental difference between trucking and any other industry to justify entry protection and pricing restrictions. As far as monopolies go, he says that virtually no economies of scale exist in trucking. Testifying before Kennedy's subcommittee, Shenefield added, "What would be a felony in most

American industries is not only condoned but affirmatively encouraged in the trucking business."

SOURCES:

•"Red Tape Ties Up the Truckers," F. Andy Messing, Jr., *Los Angeles Times*, Nov. 30, 1977.

•"Trucking Deregulation Rolling," *Business Week*, Dec. 5, 1977, p. 100.

## Voters Versus Taxes

Gathering 90,000 signatures, far more than the 56,000 required, an organization called Citizens for Limited Taxation has placed a tax limit proposal on the 1980 Massachusetts ballot. The plan would limit state spending to about nine percent of personal income, the average the state took in taxes during the past three years. The initiative, which is backed by Milton Friedman and the National Tax Limitation Committee, would require the legislature to adjust individual appropriations so that their total would fit under the ceiling.

While similar moves are afoot in Tennessee, Colorado, and Michigan, many observers see Massachusetts as a bellwether state. If voters in such a liberal state are finally fed up with the level of taxation, it is conceivable that politicians in Washington and elsewhere will get the message. The state has rightly earned the nickname "Taxachusetts," for while it ranks 10th in gross income received by its citizens, it is 48th in terms of after-tax disposable income.

California voters meanwhile seem to have reached a breaking point over the issue of property taxes. Some 1.2 million of them have signed petitions to place a property tax limitation amendment on the June ballot. (Only 500,000 signatures were required.) The proposed constitutional amendment would (1) limit property taxes to one percent of assessed value, (2) roll back assessments to 1975 levels, and (3) require a two-thirds vote of the legislature to increase other taxes.

Maine voters have also spoken out against property taxes. In December they repealed the unpopular uniform statewide property tax by nearly a two to one margin. The four-year-old measure was intended to equalize school spending throughout the state.

SOURCES:

•"Will Massachusetts Be the First State to Set Tax Limits?" *Wall Street Journal*, Dec. 19, 1977.

•"Property Tax Initiative Qualifies," AP (Los Angeles), Dec. 28, 1977.

•"Maine Voters Repeal Uniform Property Tax," AP (Portland, ME), Dec. 6, 1977.

## Nationalization Loses

A new study of nationalized firms in Western Europe reports that inherent problems make those firms poor economic performers. The reason, say Professors Kenneth Walters and Joseph Monsen of the University of Washington Business School, is plain old politics.

Walters and Monsen examined Western Europe's 23 nationalized firms on *Fortune*'s list of the top 500 non-US industrials. Their data show that in 1975, while 10 of the firms lost money, 12 made a profit, and one broke even, the total losses for the group were more than double the total profits.

After conducting extensive interviews with political leaders active in the nationalization effort, business leaders, economists who studied nationalized firms, and the managers of those firms, the authors isolated two major reasons for their poor performance. First, firms are nationalized for political reasons. Often, nationalization occurs to preserve jobs in firms with a history of poor economic performance. Second, once a firm is nationalized, political and social goals are substituted for economic ones. The major complaint of the managers interviewed was that the government required that they achieve political and economic goals that are often diametrically opposed. Such conflicts occur in decisions concerning plant location, product lines, pricing policy, purchasing decisions, and industrial relations. In the latter area, the study found that labor conflicts had not been alleviated but merely shifted to the political arena.

The attention this study has received since its publication in the *Columbia Journal of World Business* is encouraging. It may well help de-glamorize nationalization as a solution to industrial problems.

SOURCE:

•"Nationalization: It's a Program for Losers," Earl F. Cheit, *Los Angeles Times*, Nov. 27, 1977.

## Milestones

• OSHA *Cut-back.* The Department of Labor has proposed the elimination of over 1000 OSHA job safety standards which the department has decided have little effect on safety or health, and which employers have found burdensome. OSHA also plans to loosen enforcement procedures for those regulations the agency decides are trivial. Included in the proposed rule reductions are standards requiring open-front toilet seats and fire extinguishers mounted an exact number of inches from the floor. If adopted, the proposals would go into effect in May. (Source: *Wall Street Journal*, Dec. 6, 1977.)

• *Equality in Combat.* Reversing past policy, the Army is opening up combat support positions to women. The decision removes the long-standing barrier that women could not be sent any farther forward than the rear of a brigade deployed for combat. It will allow women to be assigned to supportive roles in the front line of fighting. Pentagon planners believe the move is necessary if the Army is to meet the requirement that it bring the total number of enlisted Army women to 90,000 over the next five years. (Source: AP (Washington), Dec. 22, 1977.)

•*Landlord Rights.* An apartment owner may legally enforce an adults-only contract with tenants. So ruled a municipal judge in Culver City, CA in a case brought by a couple living in an adult apartment building. When they had a baby, they first looked for another apartment, but on not finding one they liked, decided to remain where they were, in violation of the contract. When the owner attempted to evict them, they filed suit alleging discrimination against people with children. Judge Harold I. Cherness ruled that there is no California or federal provision "placing the defendants in any protected class as parents of children." (Source: *Los Angeles Times*, Oct. 22, 1977.)

•*Charging Waterway Users.* The free ride for US barge owners may finally come to an end. The House has passed legislation imposing charges on waterway users designed ultimately to recover 100 percent of the cost of operating and maintaining federal waterways, and 50 percent of new construction costs. These costs are now paid by all federal taxpayers rather than the users, giving barge operators a large subsidy and a competitive advantage over trucks and trains. If the Senate concurs, the measure—a tax on fuel sold to commercial inland craft—would go into effect Oct. 1, 1979. (Source: *Wall Street Journal*, Oct. 14, 1977.)

• *Vitamin Victory.* The attempt by the Food and Drug Administration to classify higher dosage vitamins as drugs rather than foods (and therefore obtainable only on prescription) was "arbitrary and capricious." So ruled the US Court of Appeals in New York, which found no evidence to support the FDA contention that consumers regard such products as drugs, anyway. The Justice Department, acting for the FDA, has decided not to appeal the decision, thereby saving megavitamins—and consumers—from a new dose of costly regulation. (Source: *Business Week*, Sept. 19, 1977, p. 145.)

**This column reports trends in the advancement of liberty and economic freedom. Readers are invited to submit material of potential interest to Trends Editor, REASON, Box 40105, Santa Barbara, CA 93103.**

# The dawn of the American Revolution—recaptured in Murray Rothbard's fresh new account

**Bibliographical Essay**
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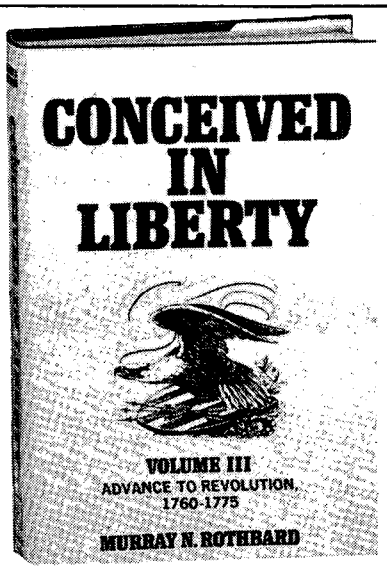


In this third of five projected volumes, Murray Rothbard continues his bold new interpretation of colonial America.

The colonies, little did they know it, were on the threshold of independence. Britain had made major conquests in the French and Indian War and now stood as master of Canada and all the land east of the Mississippi. The War had occasioned the ouster of the peaceful Pelhamite Whigs from power by the Tories. Eager to expand England's imperial control, the Tories resolved to tighten the reins on the colonies, which had grown all but independent under the "salutary neglect" of the Whigs and their classical liberalism.

The British government moved quickly to reimpose its imperial power. The Navigation Act, the Wool Act, the Hat Act, the Sailcloth Act, the Iron Act, the White Pine Act, the Molasses Act — all dead letters for years — were now to be enforced. A British standing army was to be quartered in America to add muscle. And new taxes would be levied upon the colonists to pay for the army.

This volume is the story of the rising colonial resistance to these measures. Throughout, Dr. Rothbard shows how the development of libertarian thought in America was a vital ingredient in colonial resistance.

The Tories imposed the hated Stamp Act in 1765, only to rescind it a year later when it threatened to bring on a revolt. But it was revolution postponed, not forestalled. The stage was set. More regulation and control from the mother country would bring more conflicts, until the final crisis—the struggle over the Tea Act, leading to the Boston Tea Party and the Coercive Acts against Boston —would light the sparks that would set off the guns of Lexington and Concord that would fire "the shot heard round the world."

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>
> —William Marina,
> *Modern Age*

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RE 243

# *Back To The Land:* ENVIRONMENTAL SUICIDE

*The world's major environmental problems are created by people struggling to survive, people with few options; not by industry, technology or the economy.*

BY JAMES R. DUNN

MANY OF US FEEL that we are living in a modern drama in which the "economy" and the "environment" are cast as antagonists. But is the antagonism—as in a play—contrived from human imagination, or is it real? I suggest that the so-called conflict has its foundations in the quicksands of environmental misconceptions, left over from an emotional era when we were told by ecologists, in virtually every medium, that the total environment is in jeopardy and that the prime villain is our "economic system" or "industry" or "technology."

It is unfortunate that the communications media presented one side of a complex picture and we came to believe some strange things. Alternative views never got much press. Unfortunately, the general public still believes some of the absurdities, exaggerations, or misstatements. For instance, too many of us believe the following:

- The environment and our economy are in conflict.
- The environment and technology are in conflict.
- Somehow "the answer" lies in going back to the land and to less technology, especially if we could be more like the Indians—the "greatest of all environmentalists."
- Industrial pollution is the most serious of pollutions and will kill us all.
- We are running out of resources—especially minerals and forests; therefore, we should stop our growth.

Even though all of the above statements are blatantly incorrect, many of the decisions of our society are based on such concepts. We no longer see the correct and the obvious because the environmental-conservation movement was largely taken over by the anti-business, anti-industry, anti-system zealots who have been able to control the popular media. The effect has been like brainwashing. We have lost sight of the fact that the evidence clearly shows that the

health of the environment and the health of the economy are *absolutely interdependent.*

## A GOOD ENVIRONMENT IS PURCHASED

It should be obvious, and we should be continuously reminded, that only the wealthy can afford sewerage systems, sewage disposal plants, and garbage disposal. (A single sniff of any town in Africa, Central America, South America, south and central Asia, and most of the Oceanic Islands is all the evidence needed. And, no non-native ever drinks the water.) Just as a wealthy man creates a pleasant environment in which to live, so does a wealthy nation.

New York City—which forgot that a good environment is purchased—has had severe problems financing its new $460 million sewage disposal plant. Discouraging industry and letting power and other costs rise excessively is now hurting New York's environment.

We should also remind ourselves that only the wealthy and the technological societies can afford to leave their steep slopes in woods and till or pasture only their flat or gently rolling lands. Only the wealthy can control erosion to the maximum. Only the wealthy can make their land more productive than it was originally. Only the wealthy can afford reforestation.

This should all be perfectly obvious if we compare ourselves with the less-developed countries, where we see a dismal picture of environmental degradation on a massive scale. Crops are grown throughout much of the less-developed world on slopes so steep that they are difficult to walk on. In addition, goats, sheep, and cattle are too often pastured on such land. Often the forests were initially removed because of the need for firewood for cooking and heating. In most of the above cases, the slopes should have been kept in woods.

What happens when people remove vegetation from steep slopes?

- Heavy rains in 1966 and 1967 caused debris slides in and near Rio de Janiero, killing about 2,700 people and all but destroying the new Nilo Pecanha power plant complex. The slides, numbering in the tens of thousands, were concentrated on the deforested lands stripped largely for crops and for habitation.
- In just seven years, the new lower Anchicaya reservoir in Colombia was filled with debris from stripped forest land. The power being generated is now only about one-third of that originally planned.
- Debris from steep, tilled slopes in Haiti has clogged the streams and filled the storm sewers in Port-au-Prince. Streets are being turned into gullies in some places and filled with debris in others. A debris-flow from steep, tilled slopes killed 29 people at the mining town of Meme in northern Haiti in 1969. And, as in so many areas of the less-developed world, the reservoir which supplies most of Haiti's hydroelectric power is rapidly filling with debris from slopes long stripped of forest.
- The forests of Nepal are largely stripped for use as firewood; the land is now used for pasture. Devastating debris-blows are common in Nepal, and irrigation ditches in much of northern India are choked with Nepalese debris.

The current process of degradation has a long history. It is responsible for the loss of forests in much of the Mediterranean area—largely before the Christian era. The famed Cedars of Lebanon have long been a rarity. And the Greek Pausanias in the 5th century B.C. described the rapid filling of the sea around Miletus by sediments eroded off bared slopes and carried to sea by the Maeander River. The current practice in Haiti of constructing rock barriers to stop the downward movement of debris from stripped slopes was used 2,000 years ago by the Romans in the French Alps. Then, as now, the practice had only temporary value.

At this time, from one-third to one-half of the world's forests have been stripped, largely for fuel, farming, or pasture land.

What happens when people overstress the flatter areas?

Over three-quarters of the world's deserts (an area about the size of the United States' "lower 48") are man-made. Much of the world's prairie is man-made (the great conservationist G. P. Marsh contended that *all* grasslands were formed by man through the use of fire). The soils of much of the less-developed world are being eroded away or chemically depleted or salinated or covered with sand dunes.

The global environmental impact of these problems is difficult to measure. The man-induced climatic changes, increased atmospheric dust, reduced atmospheric cleansing effect of forests, and possible changes in the carbon dioxide-oxygen ratio may all influence *all* of mankind.

**The so-called conflict between the economy and the environment has its foundations in the quicksand of environmental misconceptions.**

The main point: It is *common people*—common people with few choices—in *poor, low-technology societies* who are creating the major problems. It is *not* industry.

## TECHNOLOGY AT WORK

For contrast, let's look at the United States, a country with wealth, with conserved and often manicured land. The grass waterways meandering through tilled flatlands, the steeper slopes kept in woods or grasses, the contour plowing, are all signs of a conserved environment. Our forests are far larger than 100 years ago, as are the deer and turkey populations, among others.

The land has been taken care of by generations that loved the land, by generations that, increasingly, have had the economic and technological wherewithal to conserve. Incidentally, the evidence overwhelmingly shows that good conservation and love of the land are not restricted to people who pretentiously call themselves environmentalists.

But it was not always thus even in the United States. We should remember that our "good old days," when we were a less-developed country, were times of stripped forests, high erosion rates, sediment-filled streams, almost extinct deer and turkeys, low agricultural productivity, general inefficiency. How did we increase our forests, decrease our erosion, improve our soils? Answer: We *left* the land to a large extent, gave much of it a rest.

The signs of healing land are the cemeteries of yesteryear now wooded; the currently forested, healed gullies of once-stripped land; the stone fences in woods where once there was cleared land; and the daffodils and lilacs around old house foundations. And how many of us have been frustrated when we tried to follow roads shown on old topo-

graphic maps in the eastern United States? No longer needed by farmers, the roads have reverted to woods.

Why did we leave the land? Why has it been allowed to heal? A look at the island of St. Croix discloses the reason. The heavily wooded, steep slopes are a startling contrast to the stripped slopes of Haiti. The reason: Industry. Industry on St. Croix allows people to leave the land and work elsewhere, and the steep slopes are not needed for food production because people have money to buy food produced more efficiently elsewhere.

Not that all of our problems are solved. Bad examples can be found. But to see *only* the bad—to view our world from "the garbage cans"—creates problems. For instance, at Voluntown, Connecticut, a group of people who could see only the problems "went back to the land." They rejected the standard energy sources, foreswore modern civilization in general. The inevitable result was that they cut all of their woods for fuel and eventually had to abandon the project.

**The health of the environment and the health of the economy are absolutely interdependent.**

Main point: The land improves when we are able to get off of marginal land and let it revert to forests. If *we* truly go back to the land, to our individual plots, our world will be more like it was 100 to 200 years ago—a time of less forest, more erosion, less game, poorer soils, when wood was our primary fuel—all of that when we had far fewer people. There is no room for the luxury of "going back," if that really *is* a luxury. We will become more like the less-developed countries—paradoxically, at a time when the less-developed are doing *everything* in their power to be more like us!

### INDIAN CONSERVATION

*The Conservationist* (published by the New York State Department of Environmental Conservation) tells us, speaking of the Iroquois, "The sacred attitude that these people held for 'Mother Earth' is the central value of the overall culture." But, "because of their larger numbers, it became increasingly difficult to meet the needs of all the people 'by hunting and tilling;' " a decision was made to move and separate (thus forming, ultimately, the Seven Nations of the Iroquois). My translation: They overstressed their environment, just as virtually all low-technology societies historically *have* done and now *are* doing. The Ansagi Indians of the Canyon de Chelly area abandoned their cliff homes in 1300, very probably because they overstressed their environment; the present Navajos have created desert by unnecessary overgrazing. J. C. Malin, a geographer-historian at Kansas State University, notes: "The question does not appear to occur to historians that the Indian culture might have been headed for a major crisis, possibly disaster, even if displacement by white culture had not intervened."

**We increased our forests, decreased our erosion, improving our soils by *leaving* the land.**

It is not generally realized that the Indians burned woods and prairies extensively. Burnt Hills, New York, got its name because the Indians regularly burned the woods; in Illinois, Wisconsin, the Shenandoah Valley, northern Texas, adjacent Oklahoma and New Mexico, etc., early settlers were surprised to see untilled prairie turning to forest. The Indians created much of our prairie, probably well over 100 million acres; they created parklands; by burning prairie and exposing bare soil, they created dust storms (a major dust storm was described in Kansas in 1832, *well* before the plow and settlers). The Indians were simply like the typical less-developed peoples now, who also create prairies, overuse the land, and cause dust storms.

Referring to his boyhood in the mid-1800's in Wisconsin, an area of choice agricultural land, the famous conservationist John Muir said: "Where an Indian required thousands of acres for his family, these acres in the hands of industrious, God-fearing farmers would support ten or a hundred times more people in a far worthier manner." How much of this land would *we* need if we were "conservationists" like the Indians? If 400,000 Indians destroyed over 100 million acres of woodlands, 215 million people would have destroyed 52.5 billion acres, about 25 times the whole present United States. The forests of *all* of North America would have vanished long ago. Or if, as Muir claimed, an Indian family required thousands of acres, 215 million Indians would require over 40 billion acres, an area over 20 times the size of the United States.

The vague concept of going back to the land, being more primitive, is clearly not the answer to many of our current environmental problems.

### CRIES FOR "NO GROWTH"

We are told that industrial pollution will kill us (and some certainly can). But look at the overall record. The life span in the United States was 47 years in 1900; it is now 72 and rising. Pollution is obviously *not* destroying us. High-technology medical research can claim some of the credit, but medical research cannot supply food and the money needed for medical supplies. Advanced medical research is one more result of our wealth and technology. Most of our increased life span is the result of our standard of living, our wealth. On a worldwide basis, longevity bears a proportional relationship to the Gross National Product (GNP) as can be seen by consulting a world almanac.

The greatest pollutions over the world are really sediments, human excreta, and garbage. Not that we technological nations do not have pollution problems that require action. But remember, *we* often measure environmental problems in parts per million and worry about what could conceivably happen in decades or centuries; conversely, less-developed nations see environmental problems in terms of what *is* happening, in terms of starving children, short life spans, stripped forests, the high angle of tilled slopes, the number of landslides per rainfall, the loss of soil productivity, expanding deserts, loss of water resources, etc. For the most part, these are problems that we are rarely aware of, problems that we have been sheltered from for so long that we have forgotten that they existed.

I suggest that in our zeal to prevent all conceivable environmental health hazards, we might reduce the GNP and create the ultimate of health hazards: the inability to buy

medical help and food.

One alleged justification for "no growth," for economic slowdown, is that we are running out of mineral resources. Yet for most minerals, the opposite is true. In reality, technology does not use up mineral reserves—it creates them. Writing in the *New York Times Magazine*, November 7, 1976, Singer and Bracken likened the using of minerals to using muscles: "They expand, get healthier with use."

At the dawn of civilization, our primary mineral resources were rocks like obsidian and flint, and perhaps later, ochre for body paint. (Is there any doubt that the Cassandras of that day, given access to MIT or Club of Rome computers, would have concluded that they were running out of ochre and that the gods would therefore destroy them because they could no longer paint their bodies for religious ceremonies?)

Within the past century, we have enormously increased the number of earth materials which we use. The cause has been the technological revolution, the revolution in which we have been defining the properties of materials which comprise the earth. When the technological societies discovered the nature of the air they breathed, the water they drank, and the minerals on which they walked, they were able to utilize them and to improve their environment on a truly large scale for the first time.

We should realize that mineral reserves are not God-given; they are man-made and a result of our technology. The higher the technology, the more minerals used, the greater the mineral reserves.

Reserves are proven by man; they are cultural and technological in nature and they come and go. Further, reserves are *always* finite. Any plot of *any* reserve of *any* mineral whatsoever against demand will show that we are depleting the reserve. After all, a mineral reserve is *measured* in the first place for the *specific purpose* of depleting it. Proving mineral reserves is costly, and only a fool measures reserves much beyond those needed to amortize his investment.

In actuality, reserves are proportional to need; that is, supply and demand operate. The accompanying figure shows a typical curve for some known mineral supplies.

MINERALS IN AVERAGE CUBIC MILE OF EARTH'S CRUST

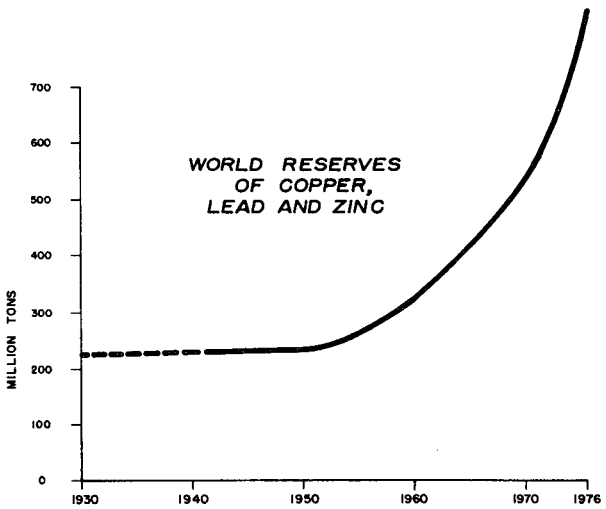
| Substance | Quantity, Short Tons | Prices ($/T)* | Gross Value (x 1 million) | Years of "Reserves"** |
|---|---|---|---|---|
| Aluminum | 898,000 | $ 682 | $612,000 | 64 |
| Potash ($K_2O$) | 342,000 | 46 | 15,700 | 589 |
| Iron | 546,000 | 122 | 66,700 | 0.41 |
| Magnesium | 228,000 | 1,160 | 264,000 | 1,640 |
| Manganese | 10,090 | 1,750 | 175,000 | 0.94 |
| Zinc | 1,420 | 718 | 1,020 | 0.43 |
| Copper | 765 | 1,540 | 1,180 | 0.14 |
| Nickel | 871 | 3,380 | 2,940 | 1.13 |

*Source:* "Understanding Mineral Resources" (Association of Professional Geological Scientists, 1975). Modified.
* Average 1974 metal prices.
** Estimated at present rate of consumption.

These happen to be for the world's total lead, zinc, and copper. Similar curves can be drawn for virtually all minerals. Main points: Mineral reserves are proportional to demand, and at anytime in the history of civilization a computer would have told us that we are running out of minerals.

## "DEPLETION"

We will deplete some minerals, of course, but mostly we shuffle them around. They are, after all, what we walk upon. The earth is *all* mineral. We will run out of none of the common materials on which we walk. An average cubic mile of crust contains enormous quantities of mineral materials




(see table). It is important to remember that after we have "depleted" all minerals (following the Club of Rome's scenario), the world will *still* weigh the same—they will all still be here!

We can *seem* to deplete the common materials of the earth, however, if we block by sociological mechanisms (laws) our ability to use minerals or we fail to develop our energy sources.

It is noteworthy that environmentalists are, with amazing success, employing sociological mechanisms to prevent the use of our minerals. In some strange way they have been successful in persuading much of the population that we are running out of everything—this, at a time when we use more types of minerals than ever before and when the world's total mineral reserves have never been larger.

Energy and economic strength are the common denominators that make all minerals available. But characteristically, people who call themselves environmentalists are attacking *every* practical source of energy: coal, oil, gas, and atomic and hydroelectric power, including pumped storage.

The major sources of energy are attacked on various grounds: air pollution, "ravaging" the land, waste-disposal problems, destruction of the scenery, etc. Pop-science is used to fight the use of practical energy sources; the fears and timidity of many people are preyed upon.

Environmentalists apparently prefer unproven energy sources—or those abandoned long ago as too inefficient or too costly. And wood is becoming an "in" fuel because it is "abundant" and "non-polluting." It is not certain whether environmentalists are blissfully ignorant or cynically knowledgeable of the fact that wood burning is one of the world's major environmental problems.

Of course, environmentalists are not satisfied with a single-pronged attack on our mineral resource base. The mineral industry has been attacked for causing environmental degradation. Yet it should be realized that mining really requires very little land. About 0.3 percent of the *entire* United States has been disturbed by mining since its inception (much is now largely rehabilitated). Compare this with the addition of 10 million acres of new forest in New York State *alone* (about 0.4 percent of the area of the United States) since 1900, when there were 7.3 million people in New York compared with over 18 million now. This net environmental gain is a direct result of our efficient

industrial system, *including* our mining. Further, the use of more earth products for construction—that is, building more with metal, plastic, stone, concrete, and brick—is a way of saving timber and hence expanding our forests even more.

It is apparent that if environmentalists have their way, we *will* run out of minerals, not by depleting mineral resources, but by preventing their being developed.

## JEOPARDY

If the reason we can conserve, can improve our environment, is our industrial-technological system (and the resulting strong economy), it follows that if we jeopardize that system we may hurt our environment. We can hurt the system, make it operate inefficiently, slow it down in various ways.

We jeopardize the system by acting upon the "no growth" concept. There is little doubt that many decisions which have slowed our economy have been made and justified because of this idea.

By requiring environmental impact statements (EIS) in advance of many major decisions, we introduce inefficiencies. The original justification for the EIS was that "all was bad and getting worse," that most major decisions involving the environment were bad. But if the accumulated impact of millions of decisions in our technological society has been to improve much of the environment, as I have previously indicated, *the original rationale was incorrect.* The EIS has now become an albatross on our system, slowing it down; increasing unemployment; increasing power costs; retarding the sensible development of our water, mineral, and forest resources; reducing general efficiency; delaying many needed activities, often to the point of preventing them.

We perpetrate harm, also, by withdrawing large areas of public lands from virtually all economic uses. The economic impact of such withdrawals has yet to be felt, but it is potentially devastating. One-third of the United States is federal land; about three-quarters of it can no longer be used for mineral extraction. If state-controlled lands which are in a similar category are added to this, the total becomes enormous. If we add lands where we have built over our minerals and lands which are zoned against mineral extraction (along with much of those where an impossible-to-get permit is required in order to mine), and lands which are privately owned by recalcitrant owners, the total land where minerals are no longer available may well be over 75 percent of our nation. Our mineral resource base, which is roughly related to area, has thus been vastly reduced, reduced at a time when we need a stronger domestic mineral industry because of our greater reliance on too-often hostile foreign countries for our supplies.

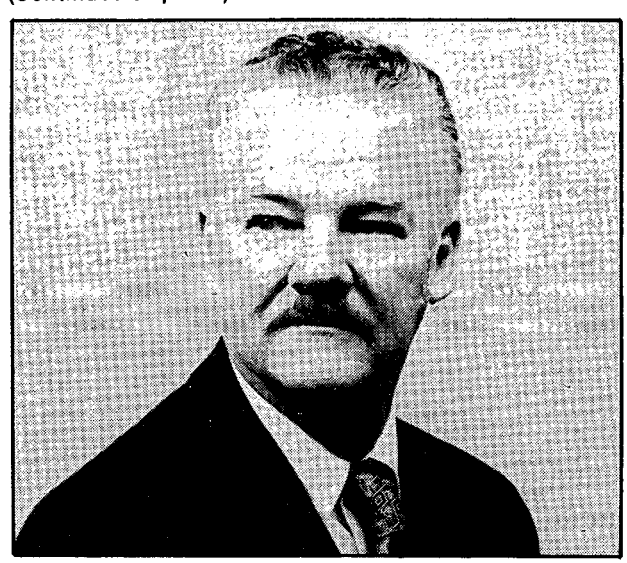
We do damage by acting as though even the most remote potential environmental health hazard is real. The search for environmental health perfection not only is a factor in further slowing our economy but could ultimately work against public health. In the long run, public health correlates with wealth. So the search for environmental perfection may become counterproductive to public health.

There is little doubt that if we continue to tamper recklessly with a system that has been so remarkably successful, we can weaken it and even destroy it. Paradoxically, the destruction would largely have been in the name of the environment that has so benefited by the system. And, also paradoxically, debilitating the system in the name of the environment would almost certainly result in degrading our environment by reducing our technological base. And weakening the economies and the political systems of the technologically advanced nations will mean that they will be less able to help the environments of the less advanced. "Environmentalism" will thus have become a major contributor to worldwide environmental degradation.

## AN ALTERNATIVE

Has any environmentalist considered the following scenario? "Our population will stabilize, as is the trend of virtually *all* advanced economies. We will continue to mine ever lower grades of ores, as we *always* have. It will be economically practical because of technological advances—as it *always* has been. It will be practical because of inexpensive energy (cultivated organic energy, breeder reactors, fusion, or other). But we will recognize that mining lower-grade ores requires ever more land, so we will tend to mine more from underground in preference to open pits or quarries, and the underground space so created will later be utilized by society. Thus we will find ourselves in possession of large amounts of valuable underground space, space which is cheap to heat, cheap to cool, costs little to make usable—that is, requires few resources to use. The mining of one resource will have created a very valuable resource—efficient space. Many storage facilities and industries, even some homes, will be underground as people find themselves comfortable in such surroundings. Vegetables and fruits will be grown underground in soils made of waste materials, and such produce will be available from local sources throughout the year. The use of underground space will further reduce the need for surface land, and the controlled underground environment will require less water. Our forests will further expand and our waters will become purer and will increase."

This alternative to the dismal scenario spawned by the (*Continued on p. 35.*)



*Mr. Dunn is schooled in and a former teacher of geology. He is now chairman of the board of Dunn Geoscience Corp. and is active in various environmentalist arms of professional geological associations. His article here is adapted from a presentation at the 1977 meeting of the Aggregate Producers Association of Ontario.*

# Deregulation Is a MORAL Issue

Only by realizing that deregulation is a matter of profound moral truth – not of convenience, efficiency, cost, or pleasure – can we overcome the intellectual and moral force of the case for regulation.

BY TIBOR R. MACHAN

THERE ARE NOW PLENTY of studies, economic analyses and investigations, and related work showing that government regulation is harmful, stifling, inefficient, and otherwise destructive. Despite this, the actual regulatory onslaught continues full-force, and more is to be expected. Why is this so?

The research has shown that the regulation rarely achieves the goals set for it by Congress. Studies indicate that it has undermined productivity and competition and increased political favoritism and corruption. What used to be called market imperfections have not been eliminated by way of government regulation. Why do millions still continue to believe in the desirability of this discredited system?

Even those few prominent individuals who have come to doubt that regulation is useful consider it a proper function of government where it can achieve its goals. Many more believe that even where government regulation has proven to be ineffective and harmful, the task is simply to muster up greater effort, to "clean up" the agencies, to tighten regulatory specifications—never to abandon the task. In a recent article in *Commentary*, Paul H. Weaver points out that Americans overwhelmingly support "the full range of present-day public programs to which [the New Deal] has given birth. Indeed, something like half the population would like to see the government provide even more benefits and intervene in more areas of social life than it already does.... Yet by almost equally large margins, Americans also say that the institutions responsible for creating and running the New Deal state are currently in the hands of liars, cheats, frauds, and profligates." Never mind that economists and social scientists have produced an enormous body of evidence that discredits the very *activity* of regulating!

## WHY MORE REGULATION?

Some solutions have been offered to the resulting puzzle about the persistent belief in regulation's desirability. Since it is mostly economists who study regulatory activity, they are also the ones interested in why their studies fail to alter policy. The explanation usually offered is that regulation has not been discontinued because the legislators and regulatory bureaucrats are like all other people —they work to benefit *themselves*. It's self-interest that accounts for the continuation of regulatory activities.

This explanation, however, is vacuous. We can't get anything from it, any more than we can from an explanation of animal behavior by reference to instincts. It doesn't explain anything. Why do cats swim in water? Well, they have the instinct to swim in water. What does that mean? It means simply that if you throw them in water they will swim. Why do regulators continue with regulation? Because they continue their regulatory schemes. This is not at all enlightening.

Of course, this misrepresents the complexity of the theory that underlies such explanations. But instead of dwelling on this here, let's consider an alternative explanation.

People often act as they do because they are guided by certain ideas and ideals. Ideas have consequences! And many of the central ideas guiding people in their personal conduct are moral or ethical ideas. Ralph Nader, for example, often makes reference to justice. He insists that it is *unjust* not to prevent product failures. He insists that certain people are being victimized. He argues that certain kinds of corporate activities are evil. Freely using these concepts to explain political and economic affairs, he reflects the views of many in our culture.

These kinds of ideas and ideals are powerful guidelines and motivators of human action. And there is something distinctive about moral or ethical ideals—as opposed to, say, scientific, technological, or legal ideas—as principles of human action.

A moral idea (and *idea* and *ideal* are interchangeable here) is one that provides guidelines to human beings simply as human beings. Why should I be honest? Because human beings *as such* ought to be honest. Why should I be just? Because human beings as such should be just; if an action, policy, or entire institution recommends itself on the grounds that it is just, *any* human being in the community should support it.

## MORAL REASONS

This is very different from offering an economic explanation for what I do. "It paid well" is not comparable to "It was the just thing to do." Nor is it the same as referring to my preferences. Why did I select that ice cream? Well, I prefer it. That I selected it or that I prefer it does not imply that everyone should do the same thing.

Why then is government regulatory activity continued? Because, despite what economists and many others have demonstrated, people believe that the goals that regulation aims to accomplish are *just* goals; they are morally justifiable goals to strive for. A person who believes that to defend his community or to educate his children is a matter of justice is not likely to be moved—and, if his belief is correct, he shouldn't be moved—by the fact that these will be very expensive. He will say: "I'm sorry. Those sacrifices are justified because this is a moral goal; it is one's duty to do it."

We can talk endlessly to Mr. Nader & Co. about how costly and inefficient government regulation is. If he believes that the goals are morally superior to the other goals that have to be sacrificed so as to pursue them, he will insist that economic concerns can be discounted. This view has been voiced by David Ferber, solicitor with the SEC, in a reply to free market economist Henry Manne, both writing in the *Vanderbilt Law Review*. Commenting on the regulations imposed by the SEC, Ferber observed, "Since I believe Congress was attempting to improve the morality of the marketplace, I think that the economic effect is largely irrelevant." Edwin M. Zimmerman, assistant attorney general with the antitrust division of the Justice Department, made the same point in his essay in *Promoting Competition*, a Brookings Institution volume. He denies that economic efficiency was ever the impetus for regulatory laws.

Plainly put, many who support regulation believe this to be the correct way to try to achieve valued goals. They are dead-serious about this. And if they are right, they are also on target when they counter that objections based on inefficiency and high cost are trivial, if not outright callous.

So moral ideas are important in this area, so important that there are some who even feign moral reasons for supporting government regulation. When lobbyists and corporate executives appear before Congress and ask for handouts or subsidies or tariffs, often the bottom line is that these would be in the public interest, the public good, the national destiny—or for God and country, as the old saying goes. Those are usually ornaments for shortcuts on the marketplace. But unless people took such ideas seriously, those asking for favors would not bother even to mention them. These are crucial moral terms that count. There are enough people everywhere motivated by just such moral ideas.

Can anyone doubt, then, that *deregulatory* policies would also require moral support? It's not enough to say, "Well, regulation costs too much and it's inefficient." An alternative moral perspective is needed to conclusively establish the propriety of deregulation. Economic arguments alone do not suffice. But *is* there anything in the way of ethics that might support deregulation?

If we look at prominent and widely articulated beliefs about what is right and wrong, we find that altruism is pervasive. Altruism literally means "other-orientedness." This morality is a sort of grab-bag for all the various moral systems the bottom line of which is that one's life must be led so as to secure the welfare of others, either today or tomorrow. It is the view that every person's *prime* purpose is to live for others—humanity, one's country, one's race. There are variations on this view, but they all come to this.

## JUST HELPING OUT

When made to apply to political policy, the altruist ethic implies that government must try at all costs to achieve the goal of helping people, however bungling, inefficient, or otherwise objectionable such efforts might be. In a debate in *Analog* magazine (April 1975), we find this attitude well illustrated in the words of Alan E. Nourse, a fervent defender of national health insurance. He tells us that it is "not a new concept nor is it a particularly efficient concept as far as health care delivery is concerned, because many many precious dollars will be dribbled away to administration."

**In order to help others, government must know about others—hence, widespread government information-intrusion in people's lives.**

Does this suffice to dissuade Mr. Nourse? Do such economic considerations lead to the conclusion that national health insurance is a bad idea? No, counters Nourse, because "it is a concept that might—repeat *might*—meet some of the desperate health care needs that exist today." If the primary responsibility of government is to engage in helping other people, then trying, even in the face of *evidence* that it will not do any good, is quite justifiable. People who share those values will simply continue in the face of disastrous performance records.

But we need to consider whether altruism is really the system that should guide us in our lives. The question is not whether certain of our virtues are other-oriented, nor whether in certain circumstances we are obligated to look out for others. The question is whether we are to live our lives *primarily* for other people.

In a few paragraphs, all the issues involved cannot be covered. There is one interesting point to be raised against altruism, however. Why is it that everyone deserves this prime consideration from others, but not from themselves? Why is it supposed to be this daisy chain of my doing benefit to you, your doing benefit to him, his doing benefit to her, etc.? It clearly engenders a meddlesomeness in human affairs. It invites more rigorous attention to other people's circumstances than to one's own; because if one is first morally obligated to benefit other people, then *their* circumstances, *their* needs, *their* aspirations, and *their* wishes must be known. One must obtain the maximum amount of information about those people, and one must do everything possible to find out what will indeed benefit them.

This explains why there is such widespread government information-intrusion in people's lives. Government, too, must know about others in order to help others. It must be able to walk into private homes, for example, to make sure that welfare recipients get the right care. It is its obligation, according to altruism.

Although altruism claims that individuals should live their lives so as to benefit others but not primarily to benefit themselves, they would, just on the face of it, seem to know much more about themselves to start with. So if people do deserve a lot, why is it that others should do it for them as opposed to their doing it for themselves? This *is* a puzzle, and it's worth considering. But let's leave aside the full criticism that could be offered against altruism and take up an alternative moral theory that, not surprisingly, is going to be called ethical egoism.

## SELF-HELP

Now *egoism* is not the same as *egotism*. Egotism is an excessive concern with your image or at least with your pleasures and desires. Ethical egoism, in contrast, is a rational concern with one's own happiness. It holds that every human being's prime moral purpose in living is to achieve happiness in life—the fulfillment, throughout one's life, of one's potential as a human being. Happiness is the result of excellence at being human. Here, a person's *primary* responsibility is not to do good for others, although it may still be true that on many occasions human beings should do good for others. The primary moral responsibility of individuals is to achieve their own happiness

in life.

So we have here an alternative ethics. Is it possible, in terms of this ethics, that in the process of regulating our commercial and many other activities, government is violating certain moral and political principles?

Government regulation usually involves the following. Some activity by some commercial agents, manufacturers, or industrialists might be of harm to someone who is going to buy their product. If it is possible—just barely possible—that these activities will produce some harm to others, the activity is prohibited or regulated. As Senator Javits once put it in a personal communication on the subject of Vitamin C, the government must protect citizens against *potential possible hazard.*

Now watch those qualifiers. *Potential, possible* hazards. Even a hazard is only a possible harm. A hazard doesn't guarantee harm. A lot of people have hazardous jobs, meaning that the likelihood of getting hurt in those jobs is considerable. Now imagine a possible hazard. What then it a potentially possible hazard? To be safe in life from "potentially possible hazards," one must be protected in everything.

If, however, one's primary obligation in life is to achieve happiness, and if one shares this obligation with other people —so that *they* should achieve *their* happiness—then, what must first of all be protected and preserved in a social context are the conditions that make it possible for people to strive for or to pursue their happiness. For example, the Declaration of Independence refers to the protection and preservation of rights we have as human beings—the rights to life, liberty, and the pursuit of happiness.

If these are indeed rights that we have and that ought to be protected, then in the pursuit of our happiness, someone else's interference would be wrong, morally wrong. Not just inefficient and very costly, but morally wrong—wrong because human beings should not act that way. In most of the criminal law this point is observed carefully, even if not fully consistently. The burden of proof rests with the prosecution—those who believe they have reason to impose burdens on citizens. Unfortunately, the same principle goes by the wayside when it comes to administering government regulations. If members of an industry, profession, or trade engage in "potentially possible hazardous" activities, there are now legal grounds for placing heavy burdens upon them.

## A RISKY BUSINESS

The most persuasive argument in support of this practice involves what Ralph Nader never tires of citing—the famous thalidomide case. The drug was taken by many Europeans during pregnancy, but the FDA barred its distribution in the United States. It had tragic results in Europe; but in America, almost no one was hurt from the drug. This is constantly noted by Nader in his numerous talks and essays in support of federal regulation of the food and drug industry.

Now it is clear that if guaranteed safety is the highest value we should aim for in life, then Mr. Nader & Co. are on the right track. If it is our prime duty to make certain that other people are safe, then we should never profit from nor allow others to profit from selling them some goods or services that just might be hazardous. But if freedom to seek our own well-being, the political and economic liberty to make our own way in life, is the highest political good, then even the tragic events associated with the thalidomide case do not suffice to give support to government regulation.

Life is undoubtedly a risky business. Those who want to accept risks may not be prevented from doing so regardless of how convinced we are that they are foolish to take these risks. We may not prevent mountain climbers, auto racers, horseback riders, fire fighters, and even plain, ordinary consumers of voluntarily acquired drugs and foods from doing what they have chosen to do. *Nor* may we gather into majorities and legislate these wise prohibitions for them.

We can, however, point out how life can be made safer! Hazards can be overcome in a free society, even when other people pose them by their sloppiness, negligence, greed, or stupidity. Government regulations preempt a crucial human virtue: the willingness of industrialists, manufacturers, professionals, to do well at what they have promised themselves to do well—their jobs. By usurping the field of morality, by forbidding the risky business of people's developing themselves and getting on in society through mutual self-development, government regulation is a gross denigration of human dignity itself.

Altruism is the main moral game in town. The only place it is not advocated very much is in psychotherapy sessions and books on self-help therapy, because in these areas people have come to face up to the debilitating consequences of living by such a moral point of view. Entire political institutions, however, are built on the doctrine of altruism. Among these, governmental regulation of people's productive, trading, or consuming activities is just one. Others include all the victimless crime laws, "blue laws," involuntary mental hospitalization statutes; and the list could go on.

But altruism is a view that does not prepare one for coping with life on earth. It stifles personal growth, ambition, self-development; and it encourages deceit. We must claim that everything we want to do will be good for others, just so we can "get away with doing it." And it also gives perfect excuses for our failures—"I did it for you. I lied, killed, maimed, stole, cheated, only because I meant well for you."

## STOPPING MEDDLING

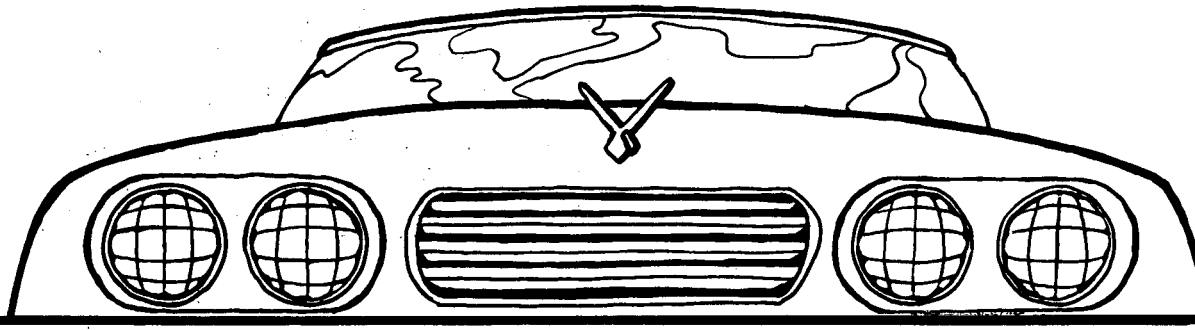
Without affirming, with utmost confidence, the alternative moral position—so that each person can realize that the prime moral goal in life is to excel as a person, to become the best one can become in life, given one's human nature and one's personal potentials as an individual human being—the case for stopping all this meddling in people's lives cannot be made conclusively. Sure, governmental regulation is inefficient, devours our income, breeds corruption, centralizes enormous power, stifles production, leaves people overburdened with bureaucratic trivia; but if its goals are morally superior to others, so what? We must be heroic; we must sacrifice for the great good that we might—"repeat might"—achieve. We must toss aside this materialist concern for efficiency, thrift, and prudence. We must march on the noble trail of doing good for our fellow human beings, whether they want it or not.

If, however, we *should* aspire to our own happiness, if this is our primary moral task, then others should abstain from interfering with us; then regulation is not just uneconomic, but wrong. Government regulation violates our rights—period. And we have those rights because it is we, individually and in voluntary cooperation, who should strive to live, produce, trade, and consume. Only by realizing that this is a matter of profound moral truth—not merely of convenience, efficiency, cost, or pleasure (although not without rewards in these respects)—can we overcome the intellectual and basic moral force of the case for regulation.

That will not lead to instant deregulation. But it will have robbed the meddlers of their most potent weapon—the appeal to people's frequent, even if not fully consistent, concern for doing what is right in personal and political matters. ◻

*Senior Editor Tibor Machan teaches philosophy at SUNY College Fredonia. This article is adapted from his contribution to a conference on government regulation held at Hillsdale College in 1976.*

They are merely "safety" bumpers, they say, but these cumbersome, weighty items, not only contribute nothing to safety, but in some way affect every facet of vehicle performance.



# BILLION DOLLAR BUMPERS

BY JACK SOLOMON

*"A massive government bureaucracy has come into being, most of it of a low order of efficiency, much of it given to harassment of the citizenry."*
*—Daniel P. Moynihan*

Prof. Moynihan's comment occurred more than five years prior to the passage of the monolithic National Traffic and Motor Vehicle Safety Act of 1966. But enactment of this bill, and the vehicle safety standards which quickly followed, gave new meaning to the terms "harassment" and "bureaucracy." Since the Act's passage 10 years ago, over 50 vehicle design standards have been issued, in the government's never-ending drive to crash-proof the automobile. The feds claim the resulting automobile is safer than its pre-Washington counterpart, but on what basis, no one is sure. In reality, only a handful of the 50 standards are of any net benefit.

One of these standards looms large, not for its life-saving contribution, but for typifying that "...low order of efficiency," we have come to expect from massive government bureaucracies. Standard 215 on Exterior Protection — "crash bumpers" — is destined to become *the* biggest bust in the history of the automobile.

**Standard 215—Exterior Protection—Passenger Cars, with Inclusion on 214 Side Door Strength, and 216 Roof Crush Resistance**

Standard 215 stands as the ultimate example of gross government inefficiency, special interest meddling, and wasted resources. It has already cost billions of dollars and will continue to plague vehicle owners with residual expenses for years to come. Although this standard was conceived during the early 1970s' gasoline shortages and was issued at the height of the energy crisis, it continues to be enforced with full knowledge that it contributes to increased fuel consumption! As if this were not enough, the bumpers themselves are virtually ineffective in their intended function.

We must distinguish here between two basic types of highway crash losses and their countermeasures:

1. *Primary* highway losses are those associated with injuries and fatalities. These are the central focus of the Federal Motor Vehicle Safety Standards (FMVSS), authorized by the Federal Motor Vehicle Safety Act of 1966.

2. *Secondary* highway losses are purely economic in nature, and result from property damage.

Although vehicle damage can occur at all collision speeds, the safety/collision damage interface is generally accepted as 10 mph. Occupant injuries rarely occur below this speed. Standard 215, since it is part of the FMVSS, can regulate only vehicle components that affect safety. Thus it was ostensibly designed only to protect "safety related systems" in low-speed impacts.

Yet another bill dealing with auto safety features was given life by Congress six years later: The Motor Vehicle Information and Cost Savings Act of 1972. This law deals specifically with the second category of crash loss—damageability. As a result, we have two laws dealing concurrently with the same item, crash bumpers, from different directions: Standard 215 relating to crash safety and the 1972 law pertaining to property damage.

Two titles of the 1972 Act deal specifically with damageability:

- Title 1, effective after 1973, directs the Secretary of Transportation to promulgate a bumper performance standard with "no damage" requirements. This puts the Department of Transportation (DOT) in the property loss business, and effectively in the employ of the Insurance Institute for Highway Safety (IIHS), a powerful Washington lobby.
- Title 2, which ran from 1973 through 1975, required a feasibility study of vehicle crashworthiness, damage susceptibility, and repairability, with the information made available to the general public. Calculations of differences in insurance costs were specifically required.

**Insurance Lobbying**

The impetus for all this federal activity emanated from—you guessed it—the insurance lobby. Since the 1969 model year the IIHS has crash tested certain vehicles into barriers and other cars in various configurations. Extensive repair cost data were eventually developed from these tests and utilized to "substantiate" condemnation of the automobile industry for "making cars more fragile." IIHS failed to mention what this fragility was being compared with.

After thorough analysis of the IIHS data, a Society of Automotive Engineers research team completely refuted this allegation. The 1973 SAE report concluded, "No constant repair cost trends are apparent.... Therefore, despite the high cost of repairs, it certainly does not appear that the manufacturers were guilty of designing increasingly fragile vehicles."

Unfortunately, though, the allegation had been made, the groundwork was carefully laid, and the mandate was devised on a multiple framework. The public, not yet exposed to the seatbelt interlock, was unaware of the tightening noose, and the bills became law with little protest. The SAE study was not undertaken until the following year, and when released, it did not receive mass exposure. Thus, the unwary consumer became ensnared by yet another costly federal experiment.

**Sports car makers were forced to hang on ugly, bulky, heavy bumpers that clash with the car's esthetics and reduce its dynamic stability.**

Standard 215 was devised with the intent that passenger cars be made to withstand "specified low speed impacts at the front and rear without damage to lighting, fuel, exhaust, cooling or latching systems." To meet this requirement, a vehicle must be built to withstand a laboratory test, in which a specially constructed pendulum hits both bumpers. In the pendulum test, which is repeated three times, a precisely configured block is used as a striker with the requirement that only a particular projecting ridge on the block may contact the vehicle. This is the primary reason for the strange shapes of the bumpers you've seen on recent model cars.

The National Highway Traffic Safety Administration (NHTSA) implemented the standard in two phases. Phase I, starting with the 1973 model year, utilized only a fixed barrier test, to allow manufacturers some leeway on bumper configuration. Speed of impact into the barrier was established by NHTSA at 5 mph front and 2-1/2 mph rear. Phase II upgraded the requirement to pendulum tests at 5 mph front and 4 mph rear, effective with the 1974 cars. A later amendment increased the rear impact to 5 mph on 1975 and later models and added corner protection to 3 mph in 1976.

From the beginning, the intent of the standard was twofold:

1. To require bumpers to withstand specified impacts front and rear, for the protection "of safety related systems."

2. To standardize the height of bumpers of all passenger cars, to assure alignment and prevent override or underride. This was intended to minimize the likelihood of damage.

To this end the legislation preempted the manufacturer's option on the design height of bumpers. Henceforth, bumpers would be standardized to a height of 16 to 20 inches from the ground surface. NHTSA initially established the height range as between 14 and 20 inches. This meant that the point of pendulum impact was, *at their option*, anywhere between these limits. Since the manufacturers were uncertain where the test impact would be made, they would have been forced to design a six-inch high bumper that could withstand the impact at any point along its face. After massive company protests, NHTSA reconsidered and reduced the range to four inches. Without this modification, bumpers would now weight about 200 lbs. more than their present overweight.

Even the four-inch range played havoc with the design of sports cars and other limited production vehicles, whose bumpers had always been an integral part of the vehicle design—often a continuation of the aerodynamic shape of the front of the vehicle. Sports car makers were forced to hang on ugly, bulky, heavy frames that not only clashed with the car's aesthetics, but added excess weight at its extreme ends. Cars that were previously lightweight vehicles suddenly became 10 percent heavier at their extreme ends! This change in weight distribution reduces the vehicle's inherent dynamic stability. This reduces its road-holding characteristics, the very factors which contribute

to accident avoidance.

Since two entirely separate bodies of legislation now control bumper configuration, it is unclear whether the new bumper is intended to meet safety or economic needs. Perhaps it is intended to address both. Unfortunately, as we shall see, these are not totally compatible goals.

**The Cost of Crashes**

In considering the issue of vehicle damageability and cost, it appears that NHTSA ignored real-world data. A recent study of over 50,000 insurance collision claims by the Auto Club of Southern California (ACSC) found that higher speed collision claims (over $250 damage) accounted for not only 57.5 percent of claim volume, but *89.6* percent of the insured costs! A major automotive concern reached essentially the same conclusion. They studied 8.58 million front-end crashes and concluded that 83.4 percent of the dollars are paid out for collisions above the protection range of not only the present, but any proposed new bumper system!

In other words, 80 to 90 percent of collision repair costs are incurred in crashes over the protective limit of current bumpers. Simply from an economic standpoint, how can these devices have a significant effect on vehicle damage reduction, when, even if functioning properly, they can influence only 10 percent of collision costs?

The insurance lobby emphasizes that, in return for the "slight additional cost" of crash bumpers, the consumer will reap the benefits of collision premium discounts on cars that meet the 1973 and later bumper standards. This has taken place in some instances, with savings typically being about 10 percent. In 1973 ACSC calculated the so-called savings to the consumer:

> If we consider the incremental costs of the 1973 bumper system to be $50 and the average collision insurance premium to be $60 (typical for California) with a 10 percent annual discount allowed, assuming a 10 year vehicle life, the net savings to the vehicle owner [over its life] would be $10.

The ACSC's figures are quite conservative. Upgrading of the standard and subsequent inflation have brought the incremental cost of crash bumpers closer to $200. At this rate it would take over 33 years to recoup the additional cost in premium discounts!

Congress also overlooked the residual costs of crash bumpers. In any collision over the speeds for which they are intended, the bumper will be destroyed. The device, with all its associated hardware, will then have to be replaced. Repair manual figures show that these costs will be radically higher than for earlier models. Replacement part prices for the front bumpers of 1973 domestic automobiles averaged 43 percent more than those of 1971 models. And installation time increased 29 percent. Later models and the added effect of inflation have esclated these figures.

With these kinds of increases are the insurance companies likely to continue offering collision premium discounts? ACSC doesn't think so. In their view, "...the entire increased cost of replacement will have to be assumed by insurance companies because total damage in these cases will exceed the average $100 deductible applied to collision insurance. Therefore, if a significant number of new vehicles are involved in collisions at higher speeds and they require replacement of the costly new bumper systems, insurers may be hard pressed to justify increases in collision premium discounts for the upcoming improved bumper systems."

**From 80 to 90 percent of collision repair costs occur in crashes over the protective limit of current bumpers.**

It comes as no surprise that the current movement among insurance carriers is to eliminate the $100 deductible coverage and make $200 the minimum deductible. This is a move to reduce the pressure that the insurance lobby itself created! And guess who eventually absorbs the cost? But read on—the worst is yet to come!

**Increased Safety?**

So what if it costs us a few billion dollars. It's all worth it for safety, right? Maybe, but the reality is that the new bumpers have made a very poor showing here, also. It should be emphasized that Standard 215, Exterior Protection—Passenger Cars, was originally devised to eliminate damage to safety-related systems in low-speed impacts. Only with the passage of the 1972 Act did Congress add the economic constraint through damageability limits.

Recall that bumpers are tested in the NHTSA laboratory using a pendulum with the *vehicle in the static position*. The standard sets bumper height between 16 and 20 inches from ground level to assure alignment and thereby minimize the likelihood of *bumper mismatch*. NHTSA itself recognized that mismatch can detract from bumper effectiveness. Mismatch is caused by the front of the vehicle diving and the rear of the vehicle elevating during deceleration. The vehicle is "pitched" in what is commonly referred to as "brake dive." But vehicle dynamics are totally ignored in the standard. Bumpers are tested only in the static position, as though they existed in complete isolation. This is to be expected; if the dynamic factors were considered, the standard, as such, could not exist!

The effect of vehicle dynamics has been studied by the Engineering and Technical Service Division of ACSC. In a 1974 SAE research paper, they presented the results of tests performed on 39 1974 model cars that fully complied with Standard 215.

ACSC engineers attached a height measuring device to each bumper. The tests were performed on various paved, relatively flat surfaces, measuring bumper heights with the vehicles at rest, and then braked from 5 to 0 mph. With both vehicles at rest, mismatch was essentially zero. When the rear vehicle was braked from 5 to 0 mph and the front one was at rest, mismatch reached 21 percent. The real revelation occurred when both front and rear vehicles were braked from 5 to 0 mph as happens in many emergencies. Under these conditions, completely within the range of the standard, bumper mismatch was 97 percent! This means that out of 1520 tests, 1474 resulted in either over- or underride.

Was safety improved by the mandate of Standard 215? After considering the test results, the researchers concluded the following:

> Pending publication of compliance test results (by NHTSA), it may be

*assumed* that safety-related items listed by the standard are protected. However, the vehicle dynamic pitch in the braking mode described in the results of this paper may be sufficient to allow a colliding vehicle front bumper to contact the vulnerable "underbelly" gas tank area. Therefore, in collisions at speeds higher than the requirements of FMVSS 215, *the recognized underride/override effect will occur.* When this happens, the main load bearing/energy absorbing structure of the vehicles can be mismatched, providing the condition for *gross penetration of the vehicle envelope.*

Bumper mismatch also causes other safety problems, one of which is non-activation of the upcoming air cushion restraints (which depend on a bumper-mounted actuator). Seven vehicles equipped with air bags were included in the study. Five of the seven showed complete bumper mismatch, and the remaining two mismatched with approximately 50 percent of all others when both were being braked. The researchers were impressed enough by this deficiency to state, "This mismatch of bumpers could cause non-inflation—or delay inflation of air bags and *increase occupant injury risk* especially in the absence of the availability of active restraint [seat belt] systems. (Emphasis added)

Further safety problems have been traced to Standard 215. To begin with, the bumpers are considerably heavier than conventional ones, intensifying high-speed collisions through the addition of sheer weight. The heavier the vehicle, the more energy there is to manage in a collision.

Other internal vehicle systems have been found to suffer damage as a result of collision tests. ACSC subjected a modified 1972 Ford to barrier impacts at successively greater speeds until the vehicle sustained damage. This occurred at 8.2 mph. There was no evidence of exterior sheet metal or trim damage, but, on further examination, both front and rear engine mounts revealed extensive cracking. Also, the energy-absorbing steering column was displaced sufficiently to require replacement! So much for protection of safety-related systems and property damage.

Other shortcomings are more mundane. The complex bumper systems require service and maintenance, which add more upkeep expenses to the consumer burden. Some systems have experienced leakage of hydraulic fluid.

Standard 215—so straightforward and simple on the surface—is actually far-reaching in its effects. They are merely "safety" bumpers, says NHTSA, but these cumbersome, weighty items not only contribute nothing to safety but in some way affect every facet of vehicle performance. Some experts are even convinced that the bumpers can contribute to occupant injury.

**Causing Injuries**

In early 1971 the Center for Auto Safety and the Ford Motor Company, in response to a notice of proposed rulemaking, petitioned NHTSA on the subject of *increased occupant acceleration* as a result of the standard on impact bumpers. NHTSA, in its classically omnipotent style, avoided the queries with: "Although review of the available information does not indicate that occupant accelerations will be *significantly increased* in vehicles conforming to the standard, the NHTSA is aware of the issue and will consider further rulemaking on the subject if subsequent data reveals a problem." Not surprisingly, data on this problem were never published.

**When both colliding vehicles were braked, bumpers were mismatched in 97 percent of the cases.**

What Ford and the Center for Auto Safety were talking about involves the placement of the bumpers and their relationship to vehicle crash characteristics. As a result of auto crash tests performed for many years at UCLA and other test facilities, much is known about *how* vehicle structures deform during a crash. Using this information, manufacturers have learned to design their vehicles with "progressive crush" characteristics both front and rear, to protect the occupants during collisions. The body structure at both ends collapses gradually, thereby itself absorbing the energy of the impact while the passenger enclosure remains intact.

But rigid impact bumpers interfere with the progressive crush action in otherwise well-designed safety vehicles. The bumpers, by design, extend several inches beyond the front and rear extremities and thus present the initial point of contact with the colliding vehicle. Although some of the bumpers are mounted on hydraulic devices, these are essentially unyielding up to and somewhat beyond their design impact range.

Thus the initial impact in low speed collisions is with a rigid front, since the device *must* by design protect lamps, including headlights, hood, trunk, doors, fuel, cooling and exhaust systems, propulsion, suspension, steering, and braking mechanisms. In collisions above 5 mph, for which the sophisticated progressive crash pattern becomes effective, first contact is the same rigid device. Rather than compressing gradually, and absorbing the impact energy, the initial effect is extreme acceleration of occupants. This dangerous shifting of passengers takes place before the crush zones can begin to yield and cushion the impact. The crash bumpers effectively cancel out much of the higher speed safety which vehicle crush dynamics provide.

**Vehicle Obesity**

The list of negatives associated with these monstrous devices seems endless. Not only are they ugly, ineffective, and costly, but their added weight creates its own chain reaction of dysfunctional attributes. General Motors confirms that the federally mandated bumpers alone add approximately 250 lbs. to the weight of a full-sized Chevrolet and 150 lbs. to a compact Vega.

Added weight, especially excess and unnecessary poundage, generates vehicle changes that are generally unknown to the consumer. When gross weight is increased, demands are placed on every supportive vehicle system. Brakes, steering, and suspension components must all be strengthened to compensate for the added loads. In a never ending cycle, the strengthening itself generates new demands through its own weight increases, once again raising gross weight! General Motors research shows that a direct increase of 100 lbs. can easily generate 100 lbs. of additional changes to maintain the performance, function, and durability

of all other car components. Is it any wonder that the curb weight of a typical mid-size American passenger car of the mid-1960's increased from 3600 to 4400 lbs. or over 22 percent, during the past decade of federal intervention in highway safety?

Increased weight worsens handling, and deteriorates acceleration and passing ability which reduce the margin of safety in overtaking and highway maneuvers. Safety experts have for years recognized pick-up and passing capability as extremely valuable for the vehicle's "active" safety. The federal government has long required that this information be provided in the original vehicle owner's manual. Unfortunately, they have also been contributing to its deterioration.

A typical mid-size vehicle of the sixties could accelerate to 60 mph in around seven seconds. Today, the same size vehicle takes at least 13 seconds. To be sure, some of this loss is due to ever-tightening emission standards, but excess vehicle weight due to bumper standards has claimed its share.

One means of salvaging performance is to increase engine size. Unfortunately, the substitution of a larger engine where there was once a smaller one introduces a whole new set of problems. One is the old bugaboo, weight, again. A 450 cubic inch displacement engine weighs about 150 lbs. more than a 350 cubic inch powerplant, installed with all related accessories. The never ending cycle of weight-begets-more-weight begins again. The larger engine requires a heavier suspension drive train, and related components, which adds even more weight. What began as a 100 lb. addition may end up adding 400 to 500 lbs. A larger engine itself contributes its own share to increased fuel consumption.

We come now to what may be the single most damaging effect of the past decade of federal meddling in vehicle design. By placing demands on auto makers for the inclusion of "safety" devices which have added appreciably to vehicle weight, our own government increased the seriousness of the "energy crisis." The combination of radical increases in weight and ever-tightening emission standards led to progressively greater fuel consumption in an era that might otherwise have witnessed much dedication to energy conservation! From all evidence, the government's auto safety program was totally uncoordinated with its energy program.

The American automobile makers have performed considerable research on auto energy consumption. General Motors recently published a paper outlining how these various factors interrelate. One of the principal factors contributing to increased fuel consumption is increased vehicle weight. The paper analyzed a recent Chevrolet Impala as a typical example of the effects of the FMVSS on vehicle weight.

The three vehicle standards which contribute most to overall weight increase are 214, 215, and 216: side door strength, exterior protection (crash bumpers), and roof crush resistance. Together, these three standards add approximately 490 lbs. to the weight of a full-size car. The recently mandated air bags will join as the fourth major offender, adding approximately 110 lbs. more. GM states that for every 100 lbs. of vehicle weight, *seven* gallons of fuel are consumed per 10,000 miles. However, this increase does not account for the fact that as vehicle weight increases, acceleration performance suffers. GM researchers have performed extensive fuel consumption studies, and maintain that, "Valid comparisons of fuel economy potential can only be made between cars with equal performance. For a given car design, regaining acceleration performance always causes a sacrifice of fuel economy." To regain this lost performance, engine size or rear axle ratio must be changed, which nearly doubles the fuel consumption penalty to a level of 16 gallons per 100 lbs. of car weight per 10,000 miles driven!

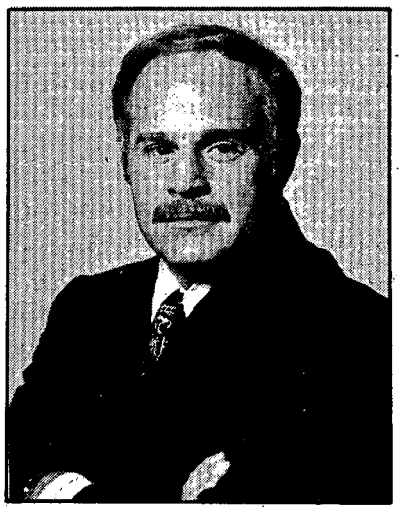
This is, unfortunately, not the end of the overweight cycle. As previously stated, a direct increase of 100 lbs. can easily generate 100 lbs. of additional changes to maintain performance, function, and durability of all other car components. "This magnifies the significance of each pound added and makes the fuel consumption penalty grow to 32 gallons per car year (10,000 miles) for each 100 lbs. of direct weight added."

The three principal safety standards have already added approximately 500 lbs. to the weight of full-size cars and 400 to compacts. At this rate *760 million* additional gallons of gasoline were burned for each of the first four years these standards have been effective, or *3.1 billion* gallons through 1976. In other words, motorists have burned 3.1 billion gallons more gasoline at a cost of approximately *$2.1 billion* to satisfy the federal government's demands for impact bumpers, door beams and rollover protection, whose contribution to safety is marginal at best! Even more significant is the fact that no change in any of these standards is planned by any government agency. The manufacturers are now having to spend hundreds of millions of dollars down-sizing their cars, in order to reduce excessive weight and fuel consumption.

**IIHS Wins Again**

In January 1975, apparently recognizing its mistake in making overly stringent demands in Standard 215, NHTSA proposed reducing the bumper test speeds from the present 5 mph barrier and pendulum requirements to 2-1/2 mph for 1976, 1977, and 1978 models, with damage allowed only to the bumper system. NHTSA, enthusiastically supported by the US auto industry, contended that the *costs of the protective bumpers were greater than the consequential savings to car owners.* But two months later, under heavy pressure from the Insurance

(*Continued on p. 36.*)



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# A CHALLENGE TO SELF-OWNERSHIP

BY GEORGE I. MAVRODES

*For the libertarian who seeks to dissuade those who have been beguiled by ideological modernity, a fully validated justification for the acquisition and unqualified use of material objects is the* sine qua non. *In addition, the libertarian must describe the process by which unowned resources may be justly acquired.*

*Only an absolute right of self-ownership, asserts Rothbard, can provide [an]. . . objective ground. . . for the assignment of original rights of ownership.*

*—Jeffrey Paul, Review of* Property in a Humane Economy, *REASON, November 1976*

But why should the statement that every man owns himself go unchallenged?" asks Jeffrey Paul in his review of Samuel Blumenfeld's collection of essays. And he goes on to say that Murray Rothbard, in his "Justice and Property Rights," sets out to answer this question, among others. But, even with this "now-classic piece" at our disposal, we must reiterate the question. Why, indeed, should we accept the idea of self-ownership? Neither Paul nor Rothbard appears to realize just how perplexing and troublesome it is.

## HUMAN MARKETS

There is a striking and immediately puzzling feature of the claim that each person owns himself or herself. This feature is the unusual one-to-one relationship that Rothbard postulates for the onwership of human beings. There are a lot of people in the world. If it should happen that on a given day each one of them owned exactly one shirt, then it would be very probable that on the next day some of them would own two or three shirts and others would own no shirt at all. For in all probability some would trade their shirts for other things; some would give them away, some would lose them gambling; and so on. And so the ownership of shirts would be in constant flux. But the ownership of human beings, according to Rothbard, persists in an absolutely unchanging and precise one-to-one relationship. Each of us owns exactly one human being—no more and

ROTHBARD'S BASIC PRINCIPLE THAT WE OWN OURSELVES IS OPEN TO QUESTION.

no less—and that human being is himself. And that seems, to say the least, to be a little odd. For if human beings are property—if they can be owned—then why is there not a market in human beings, as there is for cattle or soybeans?

One possible response to this question is to remind us that there often have been markets in human beings—slave markets—and there may be some such markets still existing (or perhaps they will arise again). And in the contexts in which such markets flourished, there were legal systems that recognized, in a straightforward way, the ownership of human beings. The people who took those systems as a matter of course might therefore agree with Rothbard that human beings are a perfectly good type of property. They would find his precise one-to-one relationship absurd, however. For some people own several cows, some own one cow, and some own no cow at all. And, they would say, so it is also with the ownership of human beings.

No doubt Rothbard is quite aware that there have been such markets and such patterns of legal ownership of human beings. He would probably not consider it particularly relevant, however. And he might reply that he is not concerned primarily with actual legal systems, which may be distorted in various ways, but is engaging in a moral and normative enterprise. He wants to determine, we might say, the facts about the ownership of human beings *in the true moral order of things.* And in that order, he apparently holds, such things as purchase and sale, multiple ownership, and the ownership of a human being other than oneself simply have no place.

Let us focus, then, on this moral order. Assuming that it includes the ownership of human beings, why does it not allow for the transfer of such ownership, multiple ownership, and so on? Rothbard does not answer this question directly. Two possible replies, however, might be suggested by his article.

## SELF-SURVIVAL

Paul, in discussing Rothbard's article, says, "Apparently, then, the purpose of self-ownership derives from the higher value of survival. That is not an implausible interpretation of Rothbard's approach, and one might think that if the value of survival generates the right of self-ownership, then by that same token—since it is *self*-ownership that is generated—it rules out transfers and multiple ownership. But while this may be plausible as an interpretation of Rothbard, it is not so plausible as a candidate for the true account of the matter. In the first place, as Paul notes, Rothbard does not argue for the validity of the survival ethic. Although survival no doubt has some value, it is not at all obvious that it is the highest value available to humans; and many people have thought otherwise. If there *are* values higher than survival, they might override survival and generate the legitimacy of other patterns of the ownership of human beings. And so the argument in terms of a survival ethic would seem to be incomplete, at best.

This is a serious objection. But even if survival *were* the highest value, it would not guarantee *self*-ownership. Quite the contrary.

For there is no single and uniform relationship betweeen survival and self-ownership (in a sense that makes self-ownership incompatible with slavery). Many slaves, no doubt, met untimely and early deaths. But so have many freemen. And some slaves have lived to a ripe old age. Perhaps it is true that slaves have, in general, a lower life expectancy than freemen in the same society. But this generality, if indeed it is a truth, could not override the fact that in particular cases it may be quite clear that slavery enhances one's prospects for survival.

**I may have rights relative to myself—important rights—even if I do not own myself.**

In this respect, Locke seems to have had a much more accurate view of the realities and facts of human life than does Rothbard. Locke held that a person might forfeit his right to life, by some criminal deed, and that he might thereafter survive only by accepting the status of a slave. (If he doesn't like slavery, Locke observed, he can always resist his master and thus get himself killed.) And Locke seems to have held that this slavery is fully compatible with the true moral order of things (*Two Treatises of Government*, bk. 2, chap. 4, sect. 23). In the Lockean case, then, it is slavery which serves the value of survival—the slave buys survival with his servitude. And if survival were the highest value, that would, of course, be a perfectly reasonable thing to do. Elevating survival to this high status in the heirarchy of values cannot, then, guarantee that each person owns himself.

Now Rothbard might well come to the defense of his link between self-ownership and survival as the highest value, in this way: each of us is born owning himself, and no one would in fact voluntarily transfer this ownership. We need not spend much time on this. We have already seen, as did Locke, that if survival is an overriding value, then just such a transfer would be, in some circumstances, an eminently reasonable thing to do. But even if it were not reasonable, what of it? "A fool and his money are soon parted," says an old proverb, and it identifies a common, though regrettable, feature of human life. Hardly anyone, least of all Rothbard, seems to argue that, because I have struck a foolish bargain in the sale of my house, therefore I have not really sold it. I *have* sold it, and my foolishness is just someone else's good fortune. If people could transfer ownership of themselves, as they can with houses, it would be just incredible to suppose that none of them *would* do so.

## OWNERSHIP OF HUMANS

Let us turn now to the argument Rothbard presents for his claim that we all own ourselves. He considers a couple of alternatives; one of them is the rather strained possibility that everybody owns a tiny share of everybody else, and the other is that one class of people has the right to own everyone else. And Rothbard then argues that neither of these arrangements accords to the individual the rights that are necessary to his survival. With the elimination of these two alternatives, Rothbard apparently thinks that self-ownership is established.

This argument is unusually weak. It is apparent by now that there are difficulties, for this purpose, in appealing to the value of survival. Even if we waived those difficulties, however, we should soon meet others. There is something strange, for example, in Rothbard's choice of the alternatives to be considered. For he neglects others that would seem initially rather more plausible—if for no other reason than that they have actually been practiced and recognized in the legal systems of slave-owning societies. (Perhaps the more closely we attend to the actual practice and history of slavery, the less force we will find in the argument from the value of survival.) But there is also a more fundamental weakness in the argument.

Even if we were to list every form which the ownership of human beings could possibly take and were then to find arguments ruling out all of them except for self-ownership, we would still not have established the propriety of this last system. In order to justify that conclusion we should have to add still another premise to our argument—the premise that every human being is, or ought to be, owned by somebody or other. We need this premise to keep us from rejecting self-ownership right along with the other forms, concluding that human beings are

not owned by anyone at all.

Rothbard does not argue in this connection for the claim that everyone is owned by somebody or other. He does not even mention it. He rather seems to assume it as something so obvious that it hardly rises into consciousness at all. But is it obvious? Why should there not simply be unowned people?

Perhaps this possibility is rejected because of a view that people are so avaricious that they will acquire the ownership of everything valuable which they possibly can. It then seems incredible that there should be something as valuable as me just running around loose, unowned. Even a stray cow would be grabbed up by somebody. And surely by now someone would have put a halter on me, too—unless, of course, I really owned myself, in which case I wasn't just running around loose.

But there might be a different reason why no one has put his brand on me, at least in the true moral order of things. For it might be, in that true moral order, that I am just not the right kind of thing to be owned, I am not a possible piece of property. And if that were so, then no one could own me. *I* could not even own myself.

Another reason for thinking that everyone is owned by someone or other might be extracted from Rothbard's essay. Rothbard construes ownership in terms of rights—to own something is to have a set of rights relative to that thing. If I did not own myself, I would not have rights relative to myself. I would not, for example, have the right to choose one sort of work rather than another, the right to live here rather than there, and so on. But I do have these rights (even if we reject Rothbard's survival argument, we could agree with him on many of these rights). And therefore, I must own myself.

### OWNERSHIP VS. RIGHTS

Pretty clearly, the line of argument just outlined plays an important role in Rothbard's thinking about this subject. Indeed, probably it plays an important role in much libertarian thinking about property. But the effect of it is pernicious. For that line of argument involves a logical blunder, and its acceptance burdens us with a clumsy way of thinking about rights.

The mistake in logic goes like this. If ownership involves a set of rights, then if I do not have that set of rights I do not have the corresponding ownership. So far, so good. But to draw from this the conclusion that, if I do not have ownership, I do not have any of the corresponding rights, would be a mistake. If I don't have ownership then, of course, I don't have *full* set of rights associated with ownership. But I may well have *some* of those rights. And so I may have rights relative to myself—important rights—even if I do not own myself.

Apparently, it needs to be stressed that a person can have rights relative to something that he does not own. If Rothbard, or anyone else, is inclined to deny this claim, it would be helpful if he could produce some argument to support his denial. And it would have to be a rather strong argument, in the face of what would seem to be the obvious counter-examples. It seems clear, for example, that an amateur pilot would normally have the right to use the orange roof of a Howard Johnson's restaurant as a convenient landmark for orienting his approach to the local airport. And he has this right even though he does not own Howard Johnson's and someone else does. To say that he has this right means that he does no wrong if he does use the restaurant in this way, independently of the desires of others in this matter. Would it not be absurd for the owners of Howard Johnson's to complain that their property rights were being infringed by this use?

**Inalienable ownership would be an especially weak, curtailed form of ownership.**

An example that is perhaps more important for a general theory of property is provided in Paul's article. He says, "The man does *not* own the unfelled tree prior to its use. He first uses it, that is, fells it, and thereby obtains ownership to it." So Paul apparently thinks that a person may have a right to fell a tree which he does not own. He is probably correct in this. And many more examples can be envisioned.

If it should be a fact, then, that nobody at all owns me, it would not immediately follow that I do not have a right to choose my own career, and so on. Consequently, from the fact, if it is a fact, that I have a right to choose my work, it does not immediately follow that I own myself or that anybody owns me. To get such a conclusion in any plausible way we should need some additional, and plausible, premises. But Rothbard provides us with none—and it seems unlikely that there are any.

### WEAK OWNERSHIP

We come now to a final point—what my inalienable ownership of myself would amount to. Along Rothbardian lines that are quite sensible, we have been thinking of ownership as consisting of a set of rights, relative to what is owned. Now, one of the more important of the rights involved in ordinary ownership is the right to transfer that whole bundle of rights to someone else. That is, if I own any ordinary object, then I have a right to sell it, to give it away, and so on, so that someone else becomes the owner of it. You can get some idea of how important a right this is by imagining that today you get a letter from the Department of Motor Vehicles, informing you that your ownership of your automobile has just been converted to an inalienable ownership. You no longer have the right to sell your car, to give it away, to trade it for a sailboat, etc. You, and you only, must be the owner of that car until it rusts into oblivion. Few of us would receive such a letter with complete equanimity.

Inalienable ownership, if there were such a thing at all, would be an especially weak, curtailed form of ownership. My ownership of myself would be weaker than my ownership of a pocket knife. But the right of transfer appears to be so central to the concept of ownership that, where that right is lacking, there is no owenrship at all. If that is correct then, given that I cannot sell myself into slavery, etc., I do not own myself. (Curiously, in the article under discussion, Rothbard himself stresses the right to transfer ownership as an important element in ownership. But he does not apply this insight to the problem of self-ownership.) As we have already seen, however, I may nevertheless have other rights with respect to myself. Perhaps on the basis of those rights Rothbard could construct some justification for the original ownership of other things. ◻

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# WHO GETS WHAT

When you tax effort, you get less of it; when you subsidize leisure, you get more of it. Arguments over who is to get the fruits of our labor become moot if the result is less labor and less fruit.

BY ALAN REYNOLDS

MOST OF US AREN'T paid nearly enough, while the other fellow invariably gets too much. Or so goes the folklore. Yet there seems to be an implicit understanding that, within the competitive sector, people tend to be paid according to the market value of what they produce. Consumers ultimately pay all wages and salaries, distributing affluence and poverty by the way they choose to spend their own incomes.

Since consumers often prefer to do business with those who have native intelligence or beauty, the result may seem rather unfair to some—just as the distribution of husbands and wives seems unfair to those who aren't chosen. But, contrary to a now-fashionable belief, distribution of income by political means does not promise fairer results. The same people whose choices in the marketplace might be deplored are not likely to become more enlightened in the voting booth, and the market offers a wider range of choices than the periodic selection between two mislabeled political packages.

Ordinary people—those outside of Cambridge, Massachusetts—rarely resent high incomes that are the result of competitive market forces. The rock star who sells millions of records and thus receives millions of dollars may inspire envy but is generally regarded as having earned his income. Instead, the main targets for resentment are those whose incomes are, to varying degrees, extracted from unwilling consumers through taxes or government grants of monopoly privilege: the bureaucrat, the striking "civil servants," the employee of a regulated cartel, the licensed craftsman—these are the people who are commonly viewed as having an unfair advantage over the rest, an advantage that invariably derives from political clout. We are increasingly involved in a system of mutual plunder. Enormous energies are unproductively employed in attempting either to manipulate governmental policies to extract wealth from others without offering anything in return or to avoid being the target of such political banditry.

## EXPLOITING CONSUMERS

People recognize exploitation when it comes their way, and they quite naturally resent it. "Exploitation," in 20th-century intellectual parlance, points a damning finger at capitalists extracting profits by underpaying workers. But it is virtually impossible for employers to exploit workers, since they can and do change jobs if underpaid. What *is* possible is for workers to extract incomes from consumers, to exploit consumers, by enlisting the government's help in monopolizing some labor skill or the related product or service.

Since all wages and salaries are paid by consumers, competition for the consumer's dollar normally puts an effective lid on wages and salaries. If an employer pays lavish salaries, he will not survive against rivals who are more careful to minimize their costs and can therefore offer consumers a better deal. If *all* the employers in an industry pay lavish salaries, then the resulting high price of the product will encourage the production and consumption of substitutes. Either way, market forces impose a discipline or budget on salary increases in the private sector.

In the political sector, by contrast, some employees can directly enlist the strong arm of the tax collector. While consumers can refuse to buy, say, automobiles or grapes if wages and prices in those industries get too high, consumers cannot easily refuse to pay taxes. Examples of such direct raids on the public purse can be found in several large cities, where the municipal unions periodically hold the communities up for ransom—which is only possible because

of their monopoly over vital services. Obvious remedies include decentralization, returning some of these functions to the private competitive sector, and contracting for services with competing suppliers. Taxpayers "voting with their feet" also provides some competitive constraint against such exploitation. (Federal grants to "ailing cities"—generally those which have most conspired with workers to exploit consumers—weaken this healthy competition among providers of so-called public services.)

A more subtle use of political power to exploit consumers involves establishing a monopoly or cartel to keep prices up. Cartels are normally very fragile because each member has an incentive to undercut the cartel price to grab business away from his rivals and because monopoly profits attract new competitors. So the police power of the state has been enlisted in many industries to limit entry into the field and to make price reductions illegal. The airlines, interstate truckers, railroads, television broadcasters, U.S. Postal Service, and Ma Bell are obvious examples, as are the licensed professions and trades.

These regulated cartels may have above-average profits for a while, as in the case of television networks, though many come to suffer chronic losses. Some of the potential monopoly profit (from high prices) is usually competed away through nonprice rivalry, such as advertising, and the rest is siphoned off by "specialized resources"—people whose unique skills are essential to the cartelized industry. This explains the relatively high incomes of airline pilots and television celebrities, as well as the affluence of union workers in all regulated industries. If these industries were competitive, they simply could not afford to pay as well, though there would be more jobs available.

The ultimate exploitation of consumers through monopoly prices and onerous taxes is effected, of course, by a nationalized industry. Not only is such an industry a prime target for strikers, but the resulting price hikes are not even constrained by the threat of the firm being forced out of business. If a nationalized industry is pushed to the wall, its managers and other employees just build a pipeline to the Treasury. Look at Britain.

Sports are unique cases of cartels that have survived through government's permission rather than its active participation. The owners of athletic teams have been exempt from antitrust laws and have formed leagues to monopolize the purchase of players. In baseball, for example, the "reserve clause" requires ball clubs to buy a player's contract from other clubs, with a rationing system giving the worst clubs the first chance to "draft" a player. If a team is willing to pay $30,000 a year for a player who is now getting $25,000 from another team, it will end up paying $25,000 to the drafted player plus $5,000 to the owner for his contract.

Such cozy monopoly arrangements have broken down recently, and the result has been to shift the clubowners' monopoly profits to players. This caused a sharp, one-time spurt toward salaries that reflect the true market value of the player's skill; additional spurts in players' incomes will no longer come out of the above-average profits but will instead be limited by the amount of money that can be extracted from consumers. Higher ticket prices result in empty stadiums, which can be self-defeating.

In short, the American people, in their infinite wisdom, generally have a good intuitive sense of when high incomes are being attained by unfair advantages. Those who look to the political-regulatory process for a solution to unfairly high incomes have neglected to notice that political machinations are themselves the cause of the problem.

**If a nationalized industry is pushed to the wall, it just builds a pipeline to the Treasury.**

## INCENTIVES

Although the "man on the street" is generally dismayed only by high incomes that are extracted rather than earned in the marketplace, some people, it is true, are hopped up about *any* significant income inequality. And they are the most vociferous in advocating political measures to redress such inequality. But they fail to address some hard questions.

On the average, athletes, actors, and other entertainers earn very low incomes. For every millionaire, there are thousands of hungry hopefuls. Like gamblers, such people are willing to take large risks for a very slight chance of making it big for a few years. Most of us prefer a bit more security for ourselves and our families. Many differences in income are attributable to such different tastes for risk. Should the rest of us underwrite risk taking, through food stamps and welfare for those whose gambles do not pay off? Or, should we use the tax system to penalize the successful and thus eliminate the incentive for people to struggle to entertain us better?

Similar thorny issues surround people's different tastes for leisure. We hear a lot about "workaholics" these days and suspect that extraordinary productivity is rough for those who work so hard to do a good job. Yet workaholics surely earn more money than those who spend more time relaxing, playing golf, or with their families. Both those who take their income in the form of leisure and those who take it in cash understand what they are sacrificing.

If we want people to supply us with more goods and services, we might think twice about imposing high marginal tax rates on added income and using the proceeds to subsidize early retirement, long periods of semivoluntary unemployment, disability through alcoholism or drug addiction, and the like. When you tax effort, you get less of it. When you subsidize leisure, you get more of it. Arguments over who is to get the fruits of our labor become moot if the result is less labor and less fruit. We cannot really talk about income distribution as though it were entirely separate from the production inspired by real rewards.

## ACADEMIC CONFUSION

Intellectuals do not really resent *actual people* with high incomes (generally including themselves). They resent numbers and abstractions, like the share of income or wealth going to the top and bottom fifths of the population. But they are beguiled by misleading statistics.

Income figures for the poorest fifth of all households undoubtedly overstate poverty by neglecting in-kind income (food stamps, housing allowances, Medicaid), assets, and the temporary nature of most periods of low income. Statistics on wealth (what you own minus what you owe) are even more misleading, since upward-bound youth often have both high incomes and high debts, while retired people typically own their homes and other assets and have low debts, low incomes, and modest needs. Moreover, wealth figures omit human capital (the future value of a medical degree, for example) and the present value of Social Security benefits.

Some other neglected aspects of inequality among family incomes are revealed in the accompanying table. The first thing that stands out is that only 1 percent of all families earned over $50,000 a year in 1974 (*before* paying various taxes taking about 40 percent of their income), while 13 percent of all families earned less than $5,000. You would have to take a *lot* of income from the 1 percent to provide much help to the 13 percent, and there is no assurance that the "rich" would bother to earn high

| FAMILY CHARACTERISTICS | ANNUAL INCOME (1974) | |
|---|---|---|
| | Under $5,000 | $50,000 and Over |
| Percent of All Families | 13% | 1% |
| Husband-Wife Families | 59% | 100% |
| Age of Family Head: | | |
| Under 34 | 33% | 6% |
| 35-54 | 23 | 62 |
| 55-64 | 13 | 23 |
| 65 and over | 31 | 9 |
| Family Size: | | |
| Two | 56% | 28% |
| Three | 19 | 18 |
| Four or more | 25 | 54 |
| Education: | | |
| Elementary or less | 47% | 4% |
| College graduate | 5 | 58 |
| Number of Earners: | | |
| None | 45% | 2% |
| One | 40 | 28 |
| Two or more | 16 | 70 |
| Residence | | |
| Metropolitan | 58% | 83% |
| Rural | 42 | 17 |

*Source:* Conference Board *Record*, April 1976.

incomes if you did that.

While the typical low-income family was headed by someone who either was very young or was retired, 85 percent of the high-income families were headed by experienced, well-educated, mature workers. While 45 percent of the low-income families had no member earning income, 70 percent of the high-income families had two or more workers. While a majority of low-income families had only two mouths to feed, a majority of the high-income families had four or more.

Is there anything shocking or scandalous about all this? Don't we all know that incomes rise with education and age and fall at retirement? Don't we know that families in which the husband and wife both work earn more than those in which one is not present or in which neither works? It is difficult to see how this could be changed—or why.

**Equalizing money incomes, even if possible, would not ensure that there would be anything for the money to buy.**

At one time most of us were, or are, struggling young couples and will eventually retire on modest pensions plus accumulated assets. Our retirement incomes may be much lower than when we were raising children and furnishing a house, but our needs will be lower too. The Bureau of Labor Statistics figured in the fall of 1973 that, on an *intermediate* annual budget, a retired couple could live on $4,500 in many areas and $5,414 nationwide, so a $5,000 income for such a couple in 1974 did not necessarily indicate dire distress.

## MONEY, MONEY

The main source of income inequality is labor income. Only about one-seventh of all income comes from property (rents, dividends, interest), and even this income is mainly derived from labor earnings that were saved and invested. Such savings and investments channel productive resources into uses that make it possible to increase the supply of goods and services in the future—building machines, factories, and offices. If some of those resources were instead devoted to current consumption, the economy's capacity to produce would be lower in the future, as would average real incomes.

A 1972 campaign slogan, "Money earned by money should be taxed as heavily as money earned by men," was cleverly employed by a McGovern advisor, Joseph Pechman of the Brookings Institution. But two years later Pechman coauthored a Brookings study (*Who Bears the Tax Burden?*) suggesting that money earned by money is taxed much more heavily than money earned by men. On the most common assumptions about who really pays corporate and property taxes, the Brookings study found that "the average tax rate on income from capital is 33.0 percent compared with 17.6 percent for income from labor."

By taxing capital so heavily, and soaking up available savings through massive government borrowing, public policy has effectively reduced the quantity and quality of tools (capital) available per worker. This reduces output per worker and, what amounts to about the same thing, real income per worker. Capitalists, including workers with a big stake in pension funds, are probably not greatly injured, since the supply of domestic capital dwindles until its scarcity yields enough to compensate for the tax. Workers, however, are surely impoverished as a result, and the number of attractive job opportunities is reduced.

Many discussions of income rely on a fundamental confusion between money incomes and real incomes and between stocks and flows. Real income is a flow of goods and services over time, not a flow of dollars; and it is not just there, automatically, to spread around however you please. There is never any problem increasing money incomes—just print a lot of crisp new thousand-dollar bills and send one to everyone who is likely to show his appreciation at the polls. That would increase the *claims* to marketable goods and services, but not the supply of such goods and services. The result would be too much money cl..sing too few goods, and prices would be bid up—as at an auction. This is inflation.

Years ago, economists argued that supply creates its own demand, since nobody would offer anything for sale unless he intended to use the proceeds to buy something. That theory had its flaws, but it was closer to reality than the "new economics," which argues that demand creates its own supply. By putting all the emphasis on stimulating consumption at the expense of investment, recent public policy has developed a chronic inflationary bias. Demand is stimulated and supply is discouraged.

It has become increasingly popular to blame the inflationary consequences of government fiscal and monetary manipulations on private greed. An article in *The Money Manager*, for example, says that "expectations are rising faster than the ability of overall productive capacity to respond." But greed is a constant; it cannot explain why inflation is higher or lower at various times and in various places. With high expectations and a dollar, you can't buy any more beer than with low expectations and a dollar.

A variation on the theme is that workers "demand" high wages and this is simply passed on in prices. But the sum of wages paid cannot be whatever workers want, because consumer budgets are not unlimited. The demand for labor and its price is derived from the demand for what labor produces. Some workers can benefit at the expense of other workers and consumers by using political devices like licensing laws to keep their skills relatively scarce. This forces more workers into competitive labor markets, thus depressing wages in those markets, and it increases the relative prices of certain products where organized laborers

have a monopoly advantage. More money spent on such products leaves less to spend on others, however, so the average of all prices is unaffected.

So-called labor parties seem particularly fond of wage controls—giving politicians and bureaucrats the awesome power to decide what each person's labor is worth. Britain adopts wage controls every few years, in combination with massive budget deficits financed by printing money. The inevitable result is that prices outrun wages, real wages fall, and profit margins widen. With friends like that, laborers do not need any enemies.

**PUBLIC THEFT**

There is a tendency, among those who like to think of themselves as supremely scientific, to reduce all ethical issues to social "norms," which are supposedly revealed through the magical properties of the political process. Among these norms are said to be the view that low-income persons are, by virtue of their relative income alone, morally entitled to a portion of somebody else's production and that it is perfectly unobjectionable to compel individuals to support the families of household heads who choose to skip town.

Actually, no serious attempt has been made to defend the ethics of commandeering property that has been obtained by unobjectionable means. The real issue is not the inequality of *results*, which is bound to occur so long as people are free to exchange goods and services on mutually agreeable terms. The issue is the *means* by which certain individuals are able to obtain the fruits of others' labor without their consent—essentially, the capture of the tax and regulatory mechanisms by special-interest groups.

As a practical matter, these actions have made property rights less secure and have thus promoted more immediate consumption and less saving. This has further reduced the community's flow of new tools and thereby reduced the flow of real wages and salaries.

Equalizing money incomes, even if it *could* somehow be accomplished through the political process (in which the poor necessarily have little clout), would not ensure that there would be anything for the money to buy. If there are only enough cars for one-tenth of the population, then only one-tenth can have cars. Existing mansions cannot be divided equally among the populace. The only way that most people can have more goodies is if more are produced.

Have we already gone too far down the road of mutual plunder to turn toward a system that rewards those who best cater to the desires of consumers? Government employees and the recipients of cash aid from the government totaled 36 percent of the population in 1975—up from 22 percent in 1960 and 9 percent in 1940. Government salaries and transfer payments (such as welfare and Social Security) amounted to 56 percent of all private wages and salaries in 1975—up from 35 percent in 1960. These government dependents turn out in droves at election time, making it difficult for those who pay the bills to eliminate any government agency or spending program. Add to their numbers the recipients of non-cash aid and business subsidies, plus the beneficiaries of price regulations, and the task of putting Leviathan on a diet appears formidable indeed. It is now much easier to form a pressure group to get a new special favor from the government than it is to form a coalition of the broad public to avoid getting fleeced by thousands of such maneuvers—each one relatively small, with the costs spread over millions of consumer-taxpayers, but together amounting to a horrendous burden. The usual practice is to rationalize each raid on consumers or the Treasury as providing some indirect benefit to the poor or unemployed, but the working poor usually end up paying far more than they receive. The billions that are spent in the name of the poor are more than enough to eliminate poverty several times over—if that were where the money was really going.

If more and more of us continue to attempt to live at the expense of others, and the portion of the public producing genuinely demanded goods and services continues to shrink, the outlook for growing prosperity and declining poverty will certainly be bleak. We may all get a million dollars, but there won't be much around for those dollars to buy. ◧

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## Environment

(*Continued from p. 20.*)

Club of Rome's computer is utopian, yes. But it is technologically wholly realistic; is already implemented, in part, in Sweden; and is probably inevitable—inevitable if environmentalists will let it happen. Note that contrary to the alarmists, the mineral industry saves rather than destroys the environment.

The environment of all of the technological societies has been improving for the past 100 to 200 years, considering the quality of the environment in terms of man's survival. As a place to grow food, a place for recreation, a place for man, it has been improving.

Most of the improvement has not been because of people who call themselves environmentalists, but primarily because of economic forces. The world's major environmental problems are created by common people trying to survive, by people with few options. *Our* society has many options. We can choose to conserve, to preserve, to manicure, to play, to beautify. Unfortunately, one of our options is to destroy the system that gives us the options—destroy it like pampered children throwing tantrums because our system has not made everything perfect for us. Yet overturning the industrial system is *not* the best way to improve the environment; it may very well destroy it.

The negative environmentalism of the zealots—people who may not even be truly interested in the *environment*—must be replaced with the positive environmentalism of professional people, who prefer to be called foresters, soil scientists, geologists, hydrologists, and the like.

The overwhelming reality that must be stressed and understood is that it is *only* the technologically advanced who have controlled their birth rates, expanded their forests,

reduced erosion, and improved their soils. It is *only* the technologically advanced who can afford to collect garbage, to collect and treat sewage, to clean up their streams, to treat their water. A strong economy and a flourishing industrial system based on technology are far from being enemies of the environment; they are the environment's best friend. If we continue to ignore these basic facts, we may destroy our economic-technologic-political system, a system that has given us the luxury of choices—choices which, unfortunately, include cultural and environmental suicide.

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# Bumpers

(*Continued from p. 28.*)

Institute for Highway Safety, NHTSA revoked their January proposal. The IIHS conjured up some impressive statistics to support their trick case, which was essentially that damage-repair costs on later model cars are significantly reduced over pre-crash bumper models. Obviously, no data were presented on the endless lists of problems created by the standard: added weight, reduced performance, more maintenance, increased fuel consumption, and radically higher costs for parts and repair resulting from high-speed collisions.

Once again, the government was purchased by the highest bidder, and the consumer takes the boot. That the IIHS data bear little resemblance to reality is firmly supported by a General Motors statement in response to the federal action: "According to GM studies, the series of barrier and pendulum impact tests, conducted in a laboratory environment, bears little relationship to the wide range of accidents that occur in the real world."

Recently, there have been outcries over the rapid escalation in the cost of crash parts—fenders, doors, bumpers and grilles. The insurance lobby has made its usual accusations of the automobile industry, charging that the big four artificially support the high cost with their unique distribution system. The costs have risen so fast that auto theft, for the sole purpose of parts salvage, has become a billion dollar underworld business.

In typical fashion, IIHS refuses to examine its own house first. Standard 215 for impact protection grew out of the FMVSS interpreted by NHTSA. However, the push to strengthen the requirements to ridiculous limits came from the insurance lobby, thrugh the Motor Vehicle Information and Cost Savings Act of 1972.

**The weight of a typical mid-size car went from 3600 to 4400 lbs. during the past decade of federal intervention.**

This act mandated *no* damage beyond the bumper, and had little if any, relationship to vehicular safety. The entire motivation was provided by the auto insurance companies to reduce their escalating claims costs. Now that they have had their way, they are once again crying for help, and pointing the finger at everyone but themselves. It's amazing to find the auto insurers surprised that complex, heavy bumpers are more expensive to replace and repair than the older "flimsy" ones. It is high time that this lobby, with its apparently unlimited power, be forced to live with the consequences of its own creations.

### Billion-Dollar Boondoggle

The impact bumper remains a monument to inefficiency, waste, shortsightedness, and lack of planning by special interest groups bent on meddling, not only in the workings of private industry, but in the everyday activities of the public. The impact bumper is a clumsy, ugly device foisted on the public at the insistence of the automobile insurance lobby under the guise of consumer savings.

The true effect, as always, has been just the reverse. It costs the motorist additional premium dollars because it is complex and expensive to repair. The added repair costs from high-speed crashes will far outweigh the meager savings in reduced premiums, should these in fact ever materialize. Impact bumpers provide few, if any, safety benefits, and waste precious fuel. To say the least, they are a *bust.*

Once again, the consumer has been victimized in the name of consumer protection. By imposing its safety ideas on everyone, the government has thwarted the market mechanism and produced a billion-dollar boondoggle. How many more examples will it take before our Washington benefactors realize that the best protection they can offer consumers is to leave them free to make their own choices?

# The CIA and the Occult

# experience

No. This is not an article exposing CIA infiltration of a witches' coven. That is a story which is yet to be written. Perhaps it will be when the reporters of the *New York Times* or some other well-connected publication next encounter an "informed source" in an amply-stocked bar. If such a story should emerge no one should be surprised. We have already learned that the CIA has experimented with mind-control, telepathy and other parapsychological techniques. The agency even went so far as to hire John Mulholland, the New York magician, to help teach what Admiral Turner has called "aspects of magicians' art useful in covert operations." It would be a short step from there to contracting with witches to perform *maleficia* in the national interest.

For all any of us knows, that may already have come to pass. The CIA may have been infiltrated by occultists, or it may in turn have infiltrated the occult. The advertisements in that sizzling journal, *Beyond Reality*, inviting readers to instantly obtain anything they want by "unlocking the secrets of telecult power," may be recruiting devices for the agency.

Yet even if that were so, and the *intended* connections between the CIA and the occult were more farreaching than anyone expects, they could only be insignificant in comparison to the *unintended* support. In fact, the bounding popularity of astrology, necromancy, numerology, ufology and the other numerous manifestations of the occult may be due more to the antics of the CIA than any other cause. The reason is that the CIA has helped generate an epistemological crisis. It has done something far more damaging than any given act of intrigue or infiltration. It has shattered the popular impression of what reality is, thus putting people in the properly confused state of mind to subscribe to *Beyond Reality*.

In one convincing demonstration after another, the CIA has taught us that things may not be as they seem. The convolutions and twists which have arisen as a consequence of CIA intrigues, assasination plots, distortions of the news, and so on make a difference. They have placed domestic and international affairs within the category of phenomena which seem to lie beyond the realm of human understanding. Consequently, a new habit of mind develops among the populace. Doubting the validity of explicit discourse—because it may be and often has been distorted by false information—people distinguish between the surface explanation and the *real* meaning. Conjecture replaces logical analysis of known facts as the basis of understanding. When the secret agent is revealed as being a double agent on his way to being a triple agent, the lesson that everything is not as meets the eye becomes unavoidable.

Politically speaking, the immediate impact of this development is cheering. If the public is more cautious about accepting government pronouncements at face value, that could only result in more sober expectations about the potential for political intervention.

Unfortunately, the long range consequences of the popular confusion about what is real cut both ways. And the likelihood is that the negative potential of irrational thinking is more significant than the impact of some healthy skepticism about official pronouncements. As has so often happened in the past, people who set out determined to believe in nothing will likely end up believing in anything.

Thanks largely to the CIA and the approach to politics which its proponents have so vigorously pursued in recent times, the mind set of the younger half of the population has been formed in an atmosphere of suspicion. Time and again people have found themselves being misled by false clues and official pronouncements designed to throw the inquiring mind off the proper track. Under such conditions, a species of mild paranoia becomes almost a necessary aid to understanding. He who is not somewhat paranoid is missing the show. Even the average observer, who makes no attempt to follow the twisting trail of speculation about "who killed Kennedy," is aware that he cannot hope to do so without the special *gnosis* that those operating at a certain level of initiation are privy to.

We presume that somewhere, at the highest levels of CIA, there are those who do know, and like the high priests of an occult sect, keep that information from the masses who are not fit to penetrate secrets of such magnitude. The masses of ordinary people must be content with the *Pistis*, or the plain word, because without the experience—which only the politically approved members of the inner-sanctum of power can have—they (the masses) could not understand the supreme knowledge.

It is seldom put this way, of course, but the parallels between the use of knowledge by the political elite of the CIA and that by the elites of mystic cults is clear. In both cases, the *gnosis*, or supreme knowledge, is reserved to a few, and is seldom, if ever, explicitly stated. One attains it indirectly, by inference. The secret agents, like the mystic initiates of old, operate in a Never- Neverland of magic code words where no one has a comprehensive rational understanding of what he is doing. That much was made clear in the revelations of Watergate. And even if it had not been, it is the first cliche of spy drama that the spy himself does not know—and does not want to know—the purpose of his mission and how it fits into the overall scheme of things. All he wants are his operational orders—his goals—and then his tape recorder self-destructs.

That this is profoundly anti-democratic is a point which need not long detain us here. There can never be access for the masses to a gnostic salvation because by definition the masses are excluded. The knowledge brings salvation, but the masses cannot know. This has many direct consequences for politics, but none as great as the fact that it teaches America to think magically.

The practitioner of the occult is one who accepts the fact that many phenomena, agencies, and influences eclipse human understanding. To a certain extent, this may be laudable intellectual modesty. There is no doubt that man will never complete the task of unlocking the secrets of the universe. Let us so hope at any rate. We should face the ultimate boredom if there were nothing left to know. But that is not the whole of the occult attitude. It is more a surrender of rational analysis. The believer in astrology never attempts to comprehend the presumed process by which the positions of the stars are alleged to determine human fate. At best, the astrologer draws blind correlations. It may be his observation that persons born in late March are more inclined to be bossy. He says, therefore, that Aries are leaders. But so far as anyone knows, even this datum is largely impressionistic and was derived without a statistical analysis of the actual fates of all the many hundreds of millions of persons born in late March throughout history.

Perhaps the bolder astrologers somewhere would welcome a scientific analy-

(*Continued on p. 40.*)

# On Neglecting Ethics

# viewpoint

**Tibor R. Machan**

It is not unusual in our era to explain what people do by reference to their vested interests. Thus, when a doctor tells us we should consider his cure for what ails us, we are tempted to say, "No wonder; he's a doctor, and it will benefit him to have us take his treatment." Never mind that the doctor has perfectly good reasons for his recommendation. They are treated as rationalizations.

There is no doubt that many people act from motives that are best classified in terms of vested interests. In an age when the very idea of having good reasons for acting is widely debunked, when ethics, especially, is regarded as a myth, perhaps most people who make up our society have difficulty being confident about any other reasons besides their vested interests—that is, reasons having to do with perpetuating their own function as doctors, politicians, bureaucrats, teachers, steel workers, etc.

But the very idea of vested interest gains its meaningfulness from the possibility of other interests that could motivate a person. The typical idea voiced by economists, namely, that all of us always act because we prefer to do what we do, also makes the concept of preference meaningless; it makes sense only when it is contrasted to desires, wants, purposes, plans, obligations, responsibilities, and so forth.

So, contrary to widespread opinion, there are very different motives which account for what people do. Among the many, we should not lose sight of people's moral convictions, be they right or wrong. Granted, for example, that many bureaucrats, politicians, and citizens in general act from motives such as preserving their status as power-wielders, employees, patrons of special groups, or beneficiaries of favors, some of them actually act as they do, especially in matters of public concern, because they believe that as human beings they ought to act that way. (We need also to keep in mind that people do not always act on the same motives. Thus Ralph Nader may at one time press for certain governmental policies because they will perpetuate his power, and at other times because he thinks them to be the morally right course to pursue.)

It is a favorite claim of some economists, including, especially those who advocate mainly free-market policies, that even moral exhortation is necessarily motivated from vested or "self"-interest. (In a recent essay for *Encounter* Milton Friedman made just this claim about all the saints, namely, that they are pursuing their private interests.) And in view of the fact that economists tend to operate or reason on the basis of statistical generalizations—or assumptions that are useful even if false—this claim is not without analytical value to them in their effort to make very general predictions about human behavior. (For instance, they base on this belief their prediction that bureaucrats administering regulatory agencies will oppose efforts to deregulate. Since the ethics of government regulation are necessarily internally inconsistent, like those of thieves and liars, this claim probably fits them better than ordinary persons.)

Still, one reason that moral exhortations are often effective is that many believe in the morality being relied upon. As hypocrisy is the compliment vice pays to virtue, so phony moral exhortation is the compliment baloney pays to sincerity. Both, however, assume the reality of their polar opposites. Unless some credible adherence to certain moral positions exists, faking adherence to the position *could* have no point at all.

Now the moral position that still permeates the cultures of our epoch is a grab bag of varieties of altruism. There may be cynics who deny this, and millions who fake it, but there are enough of those in influential places who sincerely believe that each person's highest duty is to serve others (which may include gods, neighbors, future generations, the race, the working people of the world, the whites or the blacks, the women or the men, etc.). When those who find something crucially wrong with this morality simply ignore its influence, or pretend that talk of morality is meaningless—that is, *could never be right*—the altruist stance ends up being victorious. This is because some system or code of values, whereby people can guide their choices in terms of some hierarchy, is indispensible for the sort of beings humans are. (Not possessing instincts but minds, they need principles, abstractions, to guide them. And a moral position is aimed at providing the most general system of principles for this purpose.)

The one area that most of the influential people who promote the cause of liberty tend to eschew is moral philosophy. Various foundations and institutes are devoted to the clarification and promotion of the free society. And most of them devote their funds mainly to economic education of varying complexity. Some strive to teach Chicago School economics, others promote the thought of Adam Smith, others instruct in Austrian economics, and yet others find it important to counsel simple economic common sense. There are such organizations that focus on education, history, and other fields. But hardly any find it important to explore moral philosophy.

The fact is, however, that the most consequential ideas and ideals in society are moral ones. When all the economic reasoning is over, when all the history has been laid out, when all the varieties of educational theory have been explored, there still remains that central question, "What should I do?" And if the answer that is most widely respected remains, "Do whatever you can for others," then considerations of inefficiency, lack of previous success, high cost, or pedagogical ineffectiveness simply will not suffice. When you accept an ideal as binding on you and others, it makes no difference how unrealistic, ephemeral, or illusionary it may be, you tend to stick to it.

Why then the widespread avoidance of investment in the exploration of ethics by what are otherwise dedicated groups of individuals?

I suspect that altruism is itself partly to blame. Those who support various foundations tend, in the final analysis, to accept the altruistic ethics (in one or another of its varieties). Perhaps, also, the subject of ethics or morality cuts too deep. Religious issues would, no doubt, come under scrutiny. And this realm is very touchy, even in our so-called secular age. Also, there is the plain fact that ethics is a highly personal matter, yet not easily dealt with verbally, articulately.

*(Continued on p. 44.)*

# foreign correspondent

## Rethinking the EEC

**Copenhagen.** Few North Americans (indeed, not even that many Europeans) know very much about the EEC—the European Economic Community, otherwise known as the Common Market. Far from being strictly a mechanism for reducing trade barriers, the EEC is a political organization that may profoundly affect the political future of Europe.

The EEC was established in 1958 by the six original member countries: Belgium, the Netherlands, Luxembourg, the Federal Republic of Germany, France, and Italy. In 1973 three more members were accepted, namely Ireland, the United Kingdom, and Denmark. The total population of the present EEC is about 250 million, but quite a few Western European countries are still not members and the assumption that EEC stands for all of Western Europe is therefore incorrect.

It is difficult to define precisely what the EEC is, except that it is an international organization whose member states have agreed to collaborate in achieving certain aims as set forth in the Treaty of Rome (the so-called constitution of the EEC). The difficulty arises partly from the fact that the EEC still is in a process of development and partly from the vague terms in which the Treaty expresses the goals: "The purpose of the Community is, by means of establishing a common market and a gradual approximation of the economic policy of the Member States, to promote harmonious development of the economic activity of the Community as a whole, continuous and balanced expansion, increased stability, accelerated improvement of the standard of living and closer connection between the Member States which it unites." [unauthorized translation]

This, of course, can be construed to mean almost anything, and the question still remains whether the EEC primarily is an instrument of political and economic integration or whether it is merely a common market and customs union. Present political opinion differs widely and although the EEC's founding fathers intended political integration to be obtained through the process of economic integration, no United States of Europe has yet been established. The member countries still maintain national sovereignty but have agreed to cooperate in certain areas, mainly (but not exclusively) trade and agriculture. Just how much sovereignty they will maintain within the next decade depends on two rather unpredictable factors, namely how much national sovereignty the member countries are prepared to give up and how much they will give up in bits and pieces as economic integration proceeds.

The EEC is administered by the EEC Commission, which consists of 13 members appointed for four years by the Council of Ministers and which is independent of national interests. The Commission has the very important function of taking the initiative on any proposal for legislation and may even in some areas implement legislation. Furthermore, it has the responsibility of ensuring that the Treaty and the Community legislation are observed by the member countries. The Commission resides in Brussels and has a staff of 8,000.

The Council of Ministers consists of a representative of the national government from each member country (different ministers according to the subject under discussion). Its main responsibility is to ensure that the aims of the Treaty are fulfilled but the ministers also, of course, represent national interests. The Council decides, on proposals from the Commission, the important legislation of the EEC and in general the decisions must be unanimous.

The European Parliament has 198 members appointed by the various national parliaments and functions mainly in an advisory and to a certain extent controlling capacity towards the Commission. By a majority vote of two-thirds it can dismiss the Commission. It has no legislative power but is consulted on proposed legislative measures. The European Court of Justice is the judiciary in proceedings concerning EEC legislation.

Of these institutions, the Commission, which represents the interests of the Community, and the Council, which represents the national interests, are clearly the most important. And the procedure for making legislation (the Commission proposes, the Council disposes) shows why the opposition of one member country (in particular if it is one of the major ones) to further integration can stop its progression, something which has already happened a number of times.

So far, a common market for industrial goods (i.e., abolition of tariffs and quantitative restrictions between the member countries) has been attained and the same applies to a free market for labor and investments. Common tariffs on goods from outside countries have also been introduced. The basic philosophy has been that of free trade and the arrangement has worked well. According to the Treaty of Rome the common market should also cover agricultural products, but this has created difficulties.

In most member countries, agriculture has always been regarded as a special problem which cannot be solved by free market economics and the EEC is no exception. In order to obtain a common market for agricultural products the Treaty, therefore, requires that national policies on agriculture be replaced by a common agricultural policy with the following objectives: to increase the productivity of agriculture, to secure a fair standard of living for the agricultural population, to stabilize the market, to secure the supplies of food, and to assure reasonable prices at retail.

This common agricultural policy now covers most agricultural products and is regarded as the "backbone" of the EEC as it represents the only real joint policy which goes beyond free circulation of goods and a customs union.

It functions basically by means of minimum prices for agricultural products which are fixed every year and generally at a high level which means that they are higher than the prices of the world market. These prices are the same in all the member states, nominally speaking, because they are expressed in a unit of account which refers to a certain amount of gold(!), namely the amount that corresponds to the US dollar in 1962 (hence the nickname "green dollar").

This system necessitates high tariff barriers for imports, compensatory payments for exports, buying up and storing large quantities of goods when the market price falls below the fixed minimum, and a method of leveling the price differences which arise between member countries due to individual currency fluctuations in relation to the unit of account.

The consequence, of course, is imbalance between supply and demand. Nonprofitable agriculture is encouraged, surpluses are generated, and retail prices are high so that at least some of the most important objectives of the common agricultural policy cannot be said to have been met. This is generally recognized and is perhaps best expressed in the title of a section of an official report on the situation "Surpluses and food prices: realities more complex than thought." But no satisfactory solution seems to be at hand.

To be sure, the above is a very simplified description of the EEC and its functions. A number of further activities are

*(Continued on p. 48.)*

# spotlight

## Running to Win

Idaho's news media seem to have solved a certain problem (one which libertarians settled long ago). What does one call a politician who shows no hesitancy in combining the "extreme conservative" position of a free market economy with the traditional liberal belief in civil liberties? (In statement form, it is a phrase by which libertarians have been described more times than they can remember.)

The novelty that these views can coexist has captured the imagination of an increasingly large number of people in "Butch" Otter's campaign for the governorship in the November election. Almost every newspaper article seems to carry at least a trace of discussion of the uniqueness of his views. Although running as a Republican, Otter's beliefs have been compared to Roger MacBride's in the state's newspapers. Yet beyond the proximity of viewpoints, the correlation between the two campaigns ends. Otter is running to win; his primary purpose is not educational; and he is taken as a serious contender. His campaign budget for just the primary is projected to be at least 50 percent greater than what is normally spent for such a race.

Otter, 35 years old, gained recognition while a state legislator for his "one-man filibuster" to prevent the passage of laws prohibiting pornography. His goal of "consistency" in the defense of personal freedom has proved an invaluable asset in his attacks against such restrictions.

"I come back and say to them 'You must be for gun control.' They say 'Oh, no, absolutely not.' So I say 'Well, then you must be in favor of two people going out and shooting one another,' and again they say 'No.'

"Well, that's the same way with me. I don't go to triple-X movies or buy those magazines," but he has consistently defended the right of others to do so.

While he is personally opposed to drug use he says, "If a person, of his own free will, wants to use marijuana, I question whether the government has any propriety in telling him he can't—but it does when the result is misuse that harms someone else."

Otter's positions on issues such as abortion, pornography, and drug use seem to be attacting the attention of the more liberal northern part of the state, while his support among the right-wing "puritans" of eastern Idaho is building around his positions on the size of government expenditures. A rare coalition is being built between these normally estranged groups.

His positions on the economy are exemplified by the fact that he thinks that an individual should be allowed to work where he wants without being forced to join a union by the government, and that it is not the role of the State to decide what the working conditions in an industry should or should not be. Otter's belief in a limited government is characteristically shown in his statement that the only valid functions of government are to punish fraud, deception, and trespass.

His primary campaign budget will end up totaling at least $150,000. He is described by the press as being a "public

Butch Otter

relations dream," who is both articulate and "obscenely handsome." While getting off to an early start in the middle of last year, he still faces formidable opposition from both the state's current attorney general and the superintendent of public instruction. The latter two have the advantage of holding statewide office; but it is believed that a well-run media campaign will overcome this, primarily aided by the fact that Butch Otter is probably as close as one can get to being the perfect media candidate.

While the press seems almost compelled to label Otter a libertarian, he emphasizes that he is a Republican and not a libertarian. He says that, "I didn't know I was a 'libertarian' until some members of the press told me I had a lot of libertarian tendencies." In an attempt to prove that he is in fact different from libertarians, he relies on the issue of abortion. While he doesn't want any abortions inside his family, he would rather leave the final decision in such cases to the family involved instead of the State. This is essentially the position of the current Libertarian Party platform. Otter prefers the title of "constitutional conservative" as a more accurate description of his positions concerning civil liberties.

It should be noted that Butch Otter, the father of four, is a deeply religious Catholic, one who, like California's Gov. Jerry Brown, spent time in a monastery; his political philosophy is strongly based on his religion. He feels that what makes man essentially different from an animal is his soul and free agency. Once one applies these positions to such issues as abortion, the reasoning behind his stands becomes quite clear.

Topping the list of individuals who have influenced Otter's political views is Ralph Smeed, who was a prime mover behind Steve Symms' election to the US House of Representatives. Smeed introduced Otter to Leonard Read of the Foundation for Economic Education, who himself has been a considerable help.

One can see the "real" Butch Otter in his statement that, "The Lord gave us free agency when he gave us our spiritual being so we can distinguish right from wrong. And that free agency is under attack by the State when it (by making laws) says 'You will act this way.' The State is setting itself up as God, as far as I'm concerned, and I think that's dangerous. The government, in effect, is taking away the only real gift the Lord gave us."

Further information concerning Otter's campaign can be obtained by contacting Citizens for Otter, P.O. Box 1744, Boise, ID 83701. ◻

# experience

(*Continued from p. 37.*)

sis of their claims. But whether they would or not there is no denying that the essence of astrology, of the occult in general, is a frame of mind which seeks to peel away the explicit, apparent meaning of phenomena, to penetrate to a deeper, hidden meaning. The first premise of the occult is *nothing is as meets the eye.* By its legerdemain the CIA has apparently convinced large segments of the public that many important things are other than they appear to be. The very foundations of the public's sense of reality have been shaken. We shall have to live for a long time with the gobblins which are crawling out through the cracks. James Dale Davidson

# washington watch

## Gold Clause Developments

Federal regulatory agencies seem to have been caught off guard by the passage of gold clause freedom legislation. The Securities and Exchange Commission, for example, was unaware for several days that the legislation had been passed.

Preliminary soundings indicate that the SEC will most likely *not* issue any guidelines for gold clause securities but await a submission for an offering containing other-than-dollar forms of payment. Any such offering would, they say, have to conform to present SEC guidelines.

The best source for detailed information remains the Institute on Money and Inflation, 314 E. Capitol St., Suite B-1, Washington, DC 20002.

## Humphrey-Hawkins May Threaten

It is still a bit of a mystery whether or not the Carter administration is serious about pushing the latest "de-fanged" compromise version of the Humphrey-Hawkins Full Employment and Balanced Growth Act (H.R. 50 and S. 50). It may be that the recent flurry in the press is simply a public relations gambit to keep liberals and labor union interests from getting even more restive about the administration's commitment to their agenda.

Those who were committed to the original Humphrey-Hawkins approach have grumbled, and will probably continue to grumble, that the latest compromise has no "teeth," that there are not enough new mandatory programs and spending commitments to make the legislation any more than a set of unfullfillable promises. This approach is likely to lull potential opponents of the legislation into the belief that the bill is not as full of dangers as they had originally feared, and thus the opposition could be relaxed.

It is true that the current proposal is less laden with mandatory strictures than the original. However, the key for libertarians is the statement of policy and the institutionalization of central planning which is still present. The policy statement flatly says that the *federal government is responsible* for *full* employment, production and income, *balanced* growth, *adequate* productivity growth, proper attention to national priority needs and *reasonably* stable prices. It also says that every American has a *right* to a *useful* job at a fair rate of compensation. The italicized words are only the most obviously ambiguous terms which should create real trepidation in the heart of a lover of liberty.

The framework for central planning is laid in the requirement that the President submit an annual report to Congress which includes short-term and medium-term *numerical goals,* along with recommendations for programs to meet those goals. Too much of this is already done by government to be sure, but the requirement of an annual report full of numerical goals smacks of a five-year plan. If the bill is passed with few new mandatory programs for meeting the goals, you may be sure that subsequent years will see the addition of new mandatory programs. The implications are ominous.

## Social Security

The recent incredible increases in Social Security payroll taxes are being widely perceived as a stopgap measure which still won't save the system. There may be a chance to move toward fundamental reform in the next year or two. The most promising avenue, from the standpoint of potential political support, seems to be separation of the retirement savings portion of the program from the redistributive or welfare aspects, such as disability, Supplemental Security Income and Medicare. There may even be hope for a voluntary system or at least a system in which, though savings are forced, the worker has a choice about whether he will invest his forced savings in a government or private pension security plan.

I'm guessing that the reaction to the additional Social Security tax bite will be more angry and widespread than the politicians have anticipated. If this is so, there may be an opportunity to promote something constructive. Please write to your Congresspeople and let them know how outraged you are.

Several recent publications offer valuable insights into Social Security and/or proposals for reforms in the direction of more voluntarism. "Retirement Security Income" published by the Institute for Liberty and Community (Concord, VT 05824) has an interesting proposal for a semi-voluntary program. "Financial Crisis in the S.S. System" by Robert S. Kaplan (American Enterprise Institute, 1150 17th St., NW, Washington, DC 20036) is a useful analysis. And "The Crisis in Social Security," is a many-sided compendium put out by the Institute for Contemporary Studies (260 California St., #811, San Francisco, CA 94111).

## Tax Reform

At this writing, the shape of Carter's tax proposals is still uncertain. Whether or not he will seriously attempt to eliminate the "three-martini-lunch," the tax credit for home mortgage interest or special treatment of capital gains is unclear. What is clear is that there will be some sort of "reform" proposal, which should offer the opportunity to make other proposals which are more sensible during the ensuing debate.

Republicans and conservatives will probably support an across-the-board tax cut along the lines of what Rep. Jack Kemp (R-NY) has been pushing for about a year. The National Taxpayers Union will probably support this plan, along with an indexing proposal, the elimination of double taxation of corporate dividends, and elimination of taxes on capital gains which are reinvested. Libertarian Advocate, while insisting that taxes are evil *per se* will support a substantial tax cut along with a proposal for a flat-rate income tax and a "tax ballot" to allow taxpayers to designate the purposes for which their money can be spent.

Whatever the program you might support, please let your Congressman and Senators know about it. (US House of Representatives, Washington, DC 20515; US Senate, Washington, DC 20510).

Alan Bock

### LUCIFER'S LEXICON

by L.A. Rollins

animal shelter, *n. A death camp for dogs and cats.*

cathedra, *n. The chair of one in authority, as in the dictum,* "Ex cathedra, nihil fit."

farmers' strike, *n. Turning plowshares into swords, the better to plunder the consumer.*

# books

## The Capitalist Reader

**Edited by Lawrence S. Stepelevich**
**New Rochelle, N.Y.: Arlington House. 1977. 272 pp. $9.95**

Reviewed by John Hospers

For some years now I have kept in my office numerous copies of the paperback edition of Henry Hazlitt's little classic, *Economics in One Lesson*, and given a copy to any student in my classes who wanted one and promised to read it. Not being a teacher of economics, and not being able to take the time in philosophy courses to guide the students through the concepts of free enterprise economics, I nevertheless found in courses of ethics and political philosophy that this was the greatest single lacuna in the students' background. They might know all about the pros and cons of abortion, drugs, the right to free speech, and the causes of war, but most of them knew nothing about what seemed to me the most elementary principles of economics. To provide some empirical input for discussions of morality and social philosophy, I found it easiest in the long run to set them loose on Hazlitt—and then, often, they were ready for more. It often turned out that the truth of libertarianism seemed obvious to them once they had crossed the one big hurdle where all their hang-ups were—economics.

Now I shall have, not one, but two books to give them. *The Capitalist Reader* provides a mine of well-written information to anyone who is not yet fully into the economics of liberty. Many of the great classic authors are represented in this anthology: Adam Smith, Bastiat, Boehm-Bawerk; and many great twentieth-century writers as well: Ayn Rand, von Mises, Hayek, Friedman, Fertig, Roepke, Kelso, John Chamberlain. Every item in the collection is a gem, and even to the already initiated it makes fascinating reading.

The book is divided into three parts. The first is on economic theory. Including as it does Adam Smith on the invisible hand, Ayn Rand's essay "What is Capitalism?" and von Mises' description of capitalism from *The Anti-Capitalist Mentality*, it is heady stuff (written with clarity and elegance) for those whose reading has not heretofore included these writers. Part 2 deals with capitalism and justice. Here we find Hayek on myths concerning the early history of capitalism, von Mises on the justice of capitalism, Milton Friedman on capitalism and discrimination, Ayn Rand on the roots of war, and others. The third part deals with capitalism and freedom. It includes the famous chapter from Hayek's *Road to Serfdom* on the relation between economic controls and political totalitarianism, Friedman's essay on the relation between economic and political freedom, a fine selection from Lawrence Fertig's book *Prosperity through Freedom*, and others.

The selections, made by professor of philosophy Lawrence Stepelevich of Villanova College, are all excellent; but one cannot help wish there were more of them. Many first-rate gems are omitted. Hazlitt himself is entirely left out. Passages from von Mises' *Omnipotent Government* and *Socialism* should have been included (the sections most heavily marked in my copy, that is). Much more of Bastiat's *The Law*, so brief, succinct, elegant, and quotable, should have been there, as well as some of his *Economic Sophisms*. There are many other pieces crying out to be included, such as Benjamin Rogge's essay on the connection between political and economic freedom, and most of all some passionately intense pages from Rose Wilder Lane's *The Discovery of Freedom* (e.g., the dramatic opening pages on the things we have and take for granted that are provided by the free enterprise system—pages largely quoted without quotation marks at the beginning of Henry G. Weaver's *The Mainspring of Human Progress*).

There are no running heads at the top of each page, so one has to go back constantly to the table of contents to find out where each selection is. Aside from this, my only complaint about the book is that more items should have been included. Perhaps the publisher placed certain restrictions of space on the editor. At any rate, sins of omission are not as bad as sins of commission, and none of the latter occur here. This is one of *the* books to give as a gift to someone who you think needs to know more about the workings of the free enterprise system and who wants to take it in relatively easy doses of lucid, elegant, and powerful prose. ◻

*Contributing Editor John Hospers writes frequently for REASON.*

## The Unconstitutionality of Slavery

**By Lysander Spooner**
**2d ed. New York: Burt Franklin. 1965. 289 pp. $16.50**

## Review of Lysander Spooner's Essay on the Unconstitutionality of Slavery

**By Wendell Phillips**
**New York: Arno Press & The New York Times. 1969. 95 pp. $4.50**

Reviewed by Susan Love Brown

Historians will argue as to whether or not slavery was the main issue in the abortive revolution known as the Civil War, or the War Between the States, or the War of Rebellion, or the Late Unpleasantness. Nevertheless, slavery was an issue about which a lot of people were concerned.

Lysander Spooner opposed slavery and Wendell Phillips opposed slavery, but these two men who agreed that slavery was immoral differed in their opinions as to slavery's constitutionality and legality. Spooner believed that slavery was unconstitutional and should have been declared so, while Phillips thought that slavery was clearly constitutional and that the constitution should have been amended.

When Spooner issued a lengthy essay entitled *The Unconstitutionality of Slavery* in 1845, Phillips saw fit to review it in *The Anti-Slavery Standard*, though not getting around to it until 1847. Both works are currently available in book form and bear witness to the kind and quality of argument that existed during those troubled days when even people who thought slavery abhorent couldn't always agree on why.

Spooner, a constitutional lawyer, was a theoretician; and Phillips, an abolitionist, was a man of action. Phillips saw Spooner's argument as a threat to men of action—"Our only object is to abolish Slavery, and not to correct the fundamental ideas which men hold as to law or Government; and hence, all we have to do with law, is to find out what it *practically* is, and then amend it if we

can" (p. 7). While Spooner is painstakingly thorough in his examination of the issue at hand, Phillips reveals a sense of impatience, a need to dispense with Spooner's arguments so that "those Abolitionists who try to hide themselves behind him, and make use of his argument which he never intended, and probably would not sanction," can get back to the immediate task of ending slavery.

In *The Unconstitutionality of Slavery* Lysander Spooner attempted to show that slavery was never legal in the United States and that the Supreme Court had within its power at that very moment the means to declare all slaves free. Personally, Spooner thought slavery was wrong because it violated the most basic of all natural laws. He believed that all statutory law should proceed from natural law; otherwise, it is illegitimate and members of the judiciary have no obligation to uphold it. Despite Spooner's *moral* contentions (which he lays out clearly in the first chapter, "What is Law?"), he set out to make a *legal* argument that might convince others of the unconstitutionality of slavery whether or not they agreed with him morally.

Foreseeing the possible difficulties that could arise in a conflict between the laws of nature and the will of men, said Spooner, judges long ago devised a means of rationalizing any shortcomings in their behavior while simultaneously protecting themselves from political rebuke. They established certain legal rules of interpretation whereby any positive law violating natural rights would have to be stated with "irresistible clearness" if it were to be enforced by the courts. In other words, the judges would not go out of their way to interpret "legislative intention," and the obligation to make their case as clear and irrefutable as possible was placed squarely on the shoulders of those who insisted on going against nature; otherwise, the courts were bound to interpret such laws innocently and in favor of natural rights. To be sure, this did not make such laws any more moral, but it got the judges out of a practical dilemma.

Spooner's contention, then, was that if slavery was in fact *legal* (constitutional), it would be such positive law as could only be established through direct and specific intention and would therefore have to be expressed in our various constitutions with such "irresistible clearness" that the ordinary legal rules of interpretation could be observed. "It will probably appear from this examination that slavery neither has, *nor ever had* any constitutional existence in this country; that it has always been a mere abuse, sustained, in the first instance, merely by the common consent of the strongest party, without any law on the subject, and, in the second place, by a few unconstitutional enactments, made in defiance of the plainest provisions of their fundamental law" (p. 20).

Thus begins the rigorous examination of the colonial charters in the light of English law; of colonial statutes pertaining to slavery which did not, according to Spooner, define slavery; of the Declaration of Independence, the state constitutions of 1789, the Articles of Confederation, the Constitution of the United States, and the state constitutions of 1845.

Wendell Phillips confined his review to a hard-hitting, point-by-point dismantling of Spooner's argument. He was at odds with virtually every point Spooner made and insisted that Spooner had stretched the role of the legal rules of interpretation beyond their proper bounds. "Surely, mankind cannot be presumed to have so universally mistaken what they were about, as to have *uniformly* set up Governments, that were not *legal* in their own sense of the term!" (p. 9)

For every legal authority that Spooner cited (though these were meant by Spooner only as buttresses rather than as proofs), Phillips came up with as many to oppose them. Where Spooner insisted that the terms *free* and *freeman* referred


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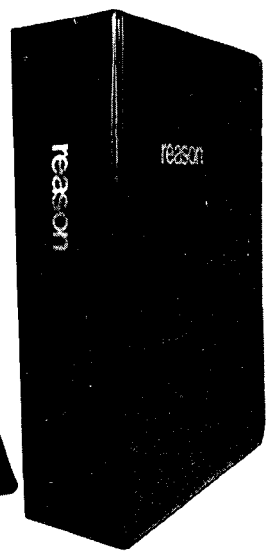


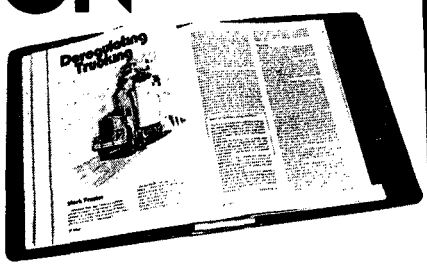

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to citizens of a country with special privileges and franchises granted by their government, Phillips insisted that Spooner had overlooked the most common usage of the terms as correlatives of slavery. Where Spooner believed that judges should hold their seats and immediately declare slavery illegal and all slaves free, Phillips believed that judges should resign their seats rather than be party to immoral circumstances.

Phillips' strongest rebuttal is his challege to Spooner's interpretation of the "three-fifths" clause of the Constitution. While Spooner argued that this clause does not mention slavery and could as easily refer to people who are merely foreigners, Phillips called forth the evidence of census records to show that, in fact, slaves were counted as three-fifths of a person and foreigners were not. Phillips' grasp of the semantics of this clause is much more realistic than Spooner's.

In some cases, Phillips seems to have ignored the fine distinctions drawn by Spooner, proceeding to criticize Spooner's arguments as though the distinctions had not been made. For example, Phillips never met head-on Spooner's assertion that slavery was never clearly defined in the law—that the law did not tell us who were slaves—and that many laws were so ambiguous as to be equally applicable to other groups, such as indentured servants.

The problem with this controversy is that there is no clear means of resolution. Both men ended up arguing at crosspurposes. Spooner's case for unconstitutionality is a good one, because the law *was* so poorly written. But one cannot ignore Phillips' plea for practicality—"Slavery is not abolished, although we have persuaded ourselves that it has no right to exist" (p. 3).

One can speculate on which man's means would have been more effectively directed toward the abolition of slavery. In retrospect, it is a moot point, since the issue was settled in a forcible confrontation (between the states, not between Spooner and Phillips). Nevertheless, the brilliance of Spooner and his interaction with Wendell Phillips, a leading abolitionist of the day, are worth noting for anyone interested in applying ideas to pervasive social problems. ◧

*Susan Love Brown formerly edited World Research* Ink *and has published in REASON and* Essence.

## Book Hints *a selective mention of books received*

Back in 1959 and 1960 when Henry Hazlitt ventured forth with *The Failure of the "New Economics"* and then edited *The Critics of Keynesian Economics,* a word against John Maynard Keynes was close to heresy. Now, it is almost not an exaggeration to say that critics of Keynes are a dime a dozen. A look at publishers' lists (let alone the economic journals) bears this out.

In this light, it's interesting to see what objections were offered, before anti-Keynesianism became the order of the academic day, by such economic lights as F. A. Hayek, Ludwig von Mises, Jacob Viner, Wilhelm Roepke, and others. This is what we get in the 1960 collection edited and introduced by Hazlitt, out of print since 1973 and now published by Arlington House (1977, $9.95).

Another republication is Liberty*Press*'s second edition of W. H. Hutt's *The Theory of Idle Resources* (1977, $8.95), with the author's new introduction and comments on the original text. The work was originally published in 1939, and though it is a general discussion of unemployment—not just of labor, but of all resources—it, too, is directed critically at Keynes; for as Hutt said in the 1939 preface, "his *General Theory* happens to be in the thoughts of all economists today."

Quite another slant is offered by James M. Buchanan and Richard E. Wagner in their *Democracy in Deficit: The Political Legacy of Lord Keynes* (Harcourt Brace Jovanovich, Academic Press, 1977, $11.50), which applies public-choice theory to provide a critical analysis of the politics, instead of the economics, of Keynes and Keynesianism.

Not unexpectedly, some people are coming to Keynes' defense. T. W. Hutchison, for example, in *Keynes v. the "Keynesians"...?* (London Institute of Economic Affairs, 1977, $5.95 paper), contends that most of those following in Keynes' footsteps have diverged from the original track, that Keynes would not have supported many of the economic policies perpetrated in his name.

One consequence of the ready acceptance of Keynes in the 1930's, as Gerald P. O'Driscoll observes in his introduction to a new book on F. A. Hayek, was that other economists were almost totally ignored; so that the wide-ranging work of the Austrian school, for example, is only now coming to be evaluated and appreciated. One step in this process is O'Driscoll's *Economics as a Coordination Problem: The Contributions of Friedrich A. Hayek* (Sheed Andrews and McMeel, 1977, $15/$4.95), a volume in the Studies in Economic Theory series (cosponsored by the publisher and the Institute for Humane Studies). Another new work in that series should also further the circulation of Austrianism: *Capital, Interest, and Rent*, by Frank A. Fetter (1977, $4.95 paper) edited and introduced by Murray N. Rothbard. (On earlier books in the series, the reader is referred to Leland B. Yeager's book review, *REASON*, February 1978). Also worthy of note is a publication of Hillsdale College Press: *Essays on Hayek*, edited by Fritz Machlup, foreword by Milton Friedman (1976, $2 paper), which contains the major contributions to a conference honoring Hayek.

## viewpoint

(*Continued from p. 38.*)

What if it were to turn out that a proper ethical code would reflect badly upon those who sponsor a conference on ethics? What if the hedonism some leaders of think tanks practice were to turn out to be a form of viciousness or immorality?

There is, finally, the point that while ethics cuts very close to home, those who deal with the field professionally tend to be verbally agile, able to rationalize their form of behavior quite readily, handle their viciousness or immorality with virtuosity, so that it's difficult for those not trained to give clear verbal expression to their ideals and ideas so as to give a good account of their own stance.

Despite these obvious and understandable obstacles, it would be extremely valuable to mount a full attack on the most pressing problem of our age, namely, the lack of sound moral principles. If those who love liberty could come to at least cherish virtue also, their case would be so much stronger, indeed, so much more persuasive. For while they stress liberty, in the sense of the absence of coercion, the bulk of the problems people face concern virtue, in the sense of what one should do, how one should act, what goals one should pursue. I for one am convinced that no virtue is possible where liberty is absent. But this needs to be shown to many more people before they will give liberty a chance. To that end the hard, risky, even frightening task of confronting the serious and basic questions of ethics must be faced squarely. ◧

# movies

## • Close Encounters of the Third Kind • The Turning Point • September 30, 1955

• It would be pleasant to be able to see another tightly-knit suspenseful SF film like *The Andromeda Strain.* In 1977-78 we have two high-budget SF films, each with its own faults.

The trouble with *Star Wars* was not lack of action (far from it) but meaningless action. There is no battle of wits between the film and the viewer, since no one can know what the probabilities are: there's no telling what kind of new-fangled weapon is going to be pulled out unexpectedly and by whom—as far as the audience is concerned, it's a matter of sheer chance. As in Homer's Iliad, there are gods on each side with supernatural powers, and when a god on side A zaps a warrier on side B against whom he has a grudge, a god on side B zaps a warrior on side A with an even more powerful invisible spear, and the war goes on. The invisible spears divinely flung by Homer's gods aren't that different from the incomprehensible weapons in a space holocaust. Nor are the emotions registered with any subtlety—but, then, how is a person supposed to react when not only everyone he's ever known but his whole planet is destroyed at the push of a button?

In this respect **CLOSE ENCOUNTERS OF THE THIRD KIND** is much more "realistic," and, if one accepts the reality of UFOs, more down-to-earth; we are in the real world here, and the action is quite credible. There isn't all that much action, but there is a degree of developing tension and mounting climax.

A number of different elements are (not always too clearly) interlaced. Officially, it is a story about flying saucers and the visitation to Planet Earth of denizens of a distant world. Secondly, there is a strong element of mysticism—or at any rate ESP—presumably this is invoked to explain how different people in different parts of the world would have a vision of the same rock, and gravitate toward it at the same time. Thirdly, there is quite a bit about US Army shenanigans in keeping the public away from its own UFO operations in Wyoming, while continuing publicly to deny the existence of such objects.

There are quite a few things that aren't made very clear: brief incidents that remain unconnected with the main action, avenues entered but not developed, hints that are dropped without explanation—rather like a jig-saw puzzle whose pieces never quite fit together.

At any rate, we do glean from the film that:

1. The fine French film director Francois Truffaut is also a pretty good actor.
2. Science fiction is not incompatible with a certain cornball sense of humor.
3. The army likes its privacy. It also resents interference with its plans.
4. Little boys that get picked up on space ships invariably come back.
5. For those who were lost in the Bermuda Triangle through the years, fear not, they will yet return.
6. When them space ships come flyin' through Indiana they shore do churn up a mighty big wind.

—John Hospers

---

• **THE TURNING POINT** has been described as "glorified soap opera." Perhaps it is, though it isn't clear how glorified it can be and still be soap opera. It is true that neither the film nor the characters in it are remarkable for their depth—there is a layer of sensitivity and subtlety that is missing here that was present in *Julia.* There is more overt action and constant motion here, and much less done through suggestion. But then, *Julia* is first and foremost a character study, and *The Turning Point* is primarily a film about ballet. Anyway, it has a number of features to recommend it:

1. The ballet scenes, of which there are many, are superb. The dancing of Baryshnikov by itself is worth the price of admission. The many scenes of ballet practice are equally good, and more revealing of the self-discipline required to master this difficult art.
2. The picture of the life of ballet dancers, especially backstage, is not only instructive but involving. One is introduced to a world of a major art-form, and the picture it presents, neither a put-down nor a whitewash, rings quite true.
3. The plot develops, if not "with necessity," at least with plausibility. (The "improbability" of a ballet star settling down in Oklahoma has been commented on. Was it improbable? Not at all, in view of what threatened her at the time.)
4. The characters, at least to the depth to which the film takes them, are also plausible. And the long love scene between two of them, to the accompaniment of ballet music by Tschaikovsky, is one of the most sensuous and spirited in films.
5. The characterizations by the actors and actresses are also excellent. Best of all is Anne Bancroft, who lends distinction even to mediocre lines.
6. There are quite a few good lines too, with something to say about life's hopes and dreams. From the opening scene, when Bancroft says (in the presence of Shirley MacLaine and her children), "They have no idea how fast one's life goes by," the quiet intensity of her utterance makes it moving, and almost profound. There are many examples of this throughout the film, enough to give it a sharp cutting edge in comparison with most other films.
7. Most important of all, the film is in its own way a celebration of life, and after seeing it one is more than ever glad to be alive.

—J.H.

---

• On September 30, 1955, the promising young actor James Dean died in a motorcycle accident. Arising to stardom virtually from nowhere, he completed three films before he died at the age of 24. Even before his death he had unintentionally created a legend—of the rebellious, misunderstood, anti-establishment youth; and as such he became an idol to millions of young people who identified with him.

His ability as an actor was tremendous, and the opening scene of the new film **SEPTEMBER 30, 1955**, is the concluding scene (the father's death) from Dean's first film, *East of Eden.*

That scene is the only part of the new film that is worth remembering. Aside from one moving bedside speech by star Richard Thomas, who plays the part of a high school student in Arkansas in 1955 who shared the legend of James Dean, this film is totally unremarkable. Whereas *East of Eden* was filled with high drama and the searing intensity of human relations, *September 30, 1955* is uninvolving and rather silly. Its plot creaks along with one fatuous improbability after another, and what might have been an effective story about the effect of Dean's life on a generation of young Americans ends up by being worthy of no one and nothing except the trash heap.

If, however, it should lead anyone to see *East of Eden*, for the first time or the seventh, then and only then would the seeing of this banal film have been worth the trouble and cost of producing it.

—J.H.

# frontlines

## Ideas Have Consequences Eventually

What would be the correct libertarian position in a case where one government agency attacks another because the latter is forcibly preventing free trade? This writer, for one, would cheer and offer to hold the coat of the attacker—if for no other reason than that it keeps the jobholders busy. The Antitrust Division of the Justice Department has taken the American Bar Association and the Texas State Board of Public Accountancy to court, charging violation of federal antitrust laws. The Federal Trade Commission is conducting investigations into licensing "to identify cases of disguised monopoly." And the Equal Employment Opportunity Commission is now contending that state licensing boards are violating Title VII of the Civil Rights Act of 1964. The examples of government-caused injustice so far outnumber the cases of private predation that it might have seemed inevitable the government would eventually discover itself and do something about the problem.

The stimulus for all this laudable action is a flood of recent articles and studies by economists. Since the days of Adam Smith, economists have recognized the role of the State in creating monopolies. Indeed, in those days the concept of a non-government monopoly was absurd. *The Journal of Law and Economics*, published by the University of Chicago Law School, 1111 East 60th Street, Chicago, IL 60637, for $9.00 per year, is the fountainhead for modern anti-licensing research. The *Journal* has been published since 1959, but sometimes the older generation has to die off before a younger generation of bureaucrats can make changes in direction. In 1971, the *Journal* published Prof. Yale Brozen's research findings that concentrated industries don't make above-average profits. Perhaps in 15 years, the Justice Department will drop its suit against IBM.

## Defend the Black Market

Students of the money supply have known for some time that an unusual proportion of the currency in circulation consists of bills larger than $20. Images of Watergate and suitcases full of cash spring easily to mind. During 1977, the demand for cash increased at 12 percent per annum, significantly in excess of the demand for bank deposits. It has been estimated by Peter M. Gutmann of the City University of New York that this cash was used to produce $176 billion in GNP "off the record." This means the government's statistics do not record that production.

Since the beginning of government data collection, however, all unlawful activity—regardless of how productive—has been excluded from the national product accounts. Gambling and prostitution in Nevada count, but gambling and prostitution in California or Arizona don't. The illegal drug trade, a multi-billion dollar industry, employing many thousand people, only counts on the government side: the salaries of the cops. If anyone ever had doubts about the validity of economic statistics, these considerations should change one's view.

With the recent increase in Social Security taxation, much of the cash in circulation will be used for everyday business activity, but will not be reported as income. In Britain today, it is common for home repair servicemen to quote two prices, the higher one for payment by check and the lower one for payment in cash. This is one of the reasons that self-employed persons in Britain were required last year to obtain identification cards from the Inland Revenue. Significantly, the agency refused to issue cards to a sizable proportion of the applicants.

## Relevant Libertarian Strategy

At the Midwest Libertarian Conference, held in Indianapolis in November, Mark Krausz suggested a strategy for political activists which seems potentially more valuable than running candidates for office. It is difficult at best to communicate libertarian issues to voters, given the popular "majority rules" theory of a free society. Mark Krausz proposed that this theory be turned to a libertarian end by pressures to enact initiative and referendum laws in those states and cities which do not permit such things today. Only 22 states and a few municipalities permit this procedure. On the plus side, of course, who would argue that the people should not have a say in the decisions of government? The secular religion of our mass society, is "one man, one vote" and a local petition drive to establish popular voting on questions of government would focus attention on the absence of this democratic right when it comes to important government questions.

Further, a petition drive would smoke out the very special interests which benefit from taxation at present (e.g. schoolteachers). School bond issues have gone down to defeat in a surprising number of communities in the past few years, even when this meant closing the schools before the end of the school year.

Krausz continued, "Being pessimistic, if the L.P. won the initiative referendum battle in only 10 percent of those cities with an average population of only 20,000, Libertarian candidates and literature could say, 'The Libertarian Party has returned power over tax dollars and spending to 10 million citizens in 500 cities.' That reads a lot better than 'Libertarians in Maine try to eliminate import quotas and subsidies for Maine shoe manufacturers.'"

## Some Newsletters

This writer receives dozens of newsletters each month (and I would like to receive more). Some of the ones which are especially interesting, and which are frequently the source of news items which don't appear in the mainstream press, are:

*A.R.E.A. Bulletin*, publication of the Association for Rational Environmental Alternatives, $12.00 per year, c/o Lynn Kinsky, 750 Vista Vallejo, Santa Barbara, CA 93105.

*Ernie Ross Report*, commentary on current events, $12.00 per year, 565 W. Harlow Road #52, Springfield, OR 97477.

*World Money Analyst*, $10.00 for a three-month trial subscription, 1129 National Press Bldg., Washington, DC 20045.

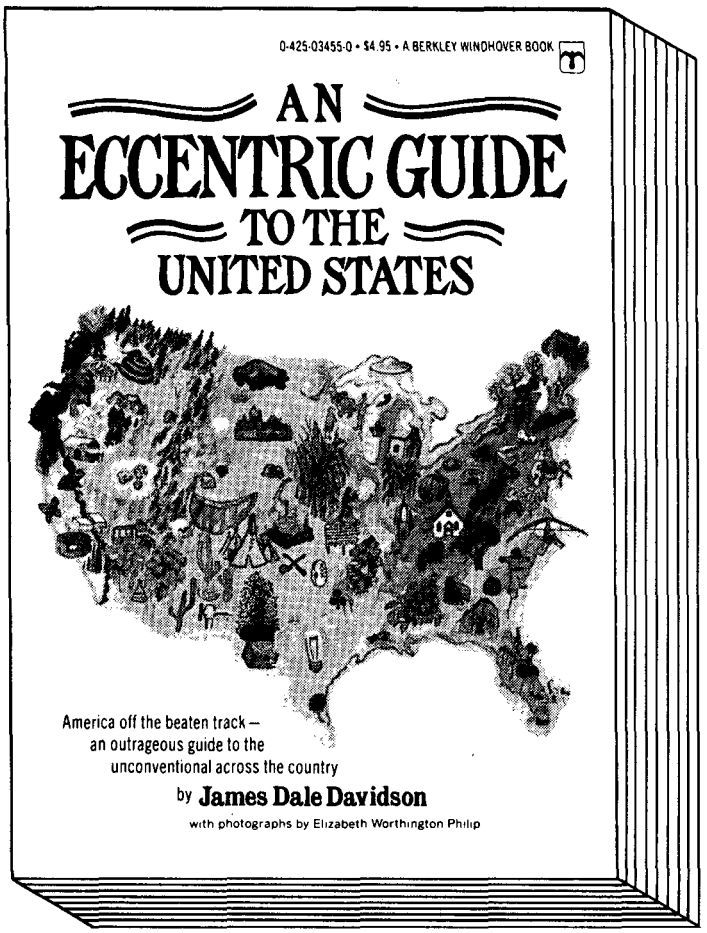
*Gold Newsletter*, published by the National Committee for Monetary Reform, $20.00 per year, 1524 Hillary Street, New Orleans, LA 70118.

*Southern Libertarian Review*, $5.00 per year, c/o Eric Scott Royce, 1236-A South Taylor Street, Arlington, VA 20004.

*Growing Without Schooling*, $10.00 for six issues, published by John Holt Associates, 308 Boylston Street, Boston, MA 02116.

As an incentive, this column will make it a point to plug any newsletter which we receive which seems to have special merit as a source of information.

Joe Cobb

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## —John Locke

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• Ernest V. Nelson was an accountant. He dropped out to carve and mold enormous, life-size dinosaurs.

• Professor Norman Daly imagined his own lost civilization, creating rituals, chants and artifacts for "Llhuria." Today, he is Director of Llhurian Studies at Cornell.

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# letters

(Continued from p. 10.)

your nice, though fundamentally horrified writing, does not.

**Thomas S. Booz**
**Plantation, FL**

## Tax Credits and Liberty

I was surprised to see your article on Education Tax Credits [Trends, December]. I think of myself as a libertarian, and I am opposed to bill S.2142 which would provide up to $500 a year to parents sending a child to private school.

Your article said nothing about the fact that most of the private schools are owned by churches. The First Amendment prohibits the kind of help this bill would provide and has been so declared by the US Supreme Court several times in recent years. This bill would wreck religious liberty—which includes, among other things, freedom *from* religion.

The public schools are not what I would like them to be in all respects, but the answer is not to forsake them. They are one of the things that have put America foremost among the nations of the world.

One of the problems is government interference. I can help direct the public schools by electing school board members, and otherwise keeping myself informed of what is going on there. But when I run into a directive from Washington and start writing congressmen the chances of getting something changed are very slim. I can have absolutely no influence on a private school. But the government can, and many people are concerned that such legislation as bill S.2142 would result in government control of the private schools including those that are church related.

The Elementary and Secondary Education Act of 1965 is responsible for most of the controversy over aid to private and parochial schools. It will probably be declared unconstitutional by the Supreme Court in the near future.

The public should not be asked to support any activity of a church. Whatever would be gained by such a system, religious liberty would be lost. And this strikes at the heart of all our liberties.

**Ms. Jean Arenz**
**Sheboygan, WI**

**Mr. Poole replies:** Ms. Arenz appears to misunderstand what a tax *credit* is all about. It is not a grant of government funds to a school or to a taxpayer; rather, it is a grant of permission for the taxpayer to keep, for himself, a portion of what would otherwise be taken from him by force to support the activities of the federal government. As such, a tax credit cannot possibly be construed as government aid to religious schools. It is merely a reduction of government coercion of those who choose not to use government-provided schools. Ms. Arenz should also reexamine her own premises regarding private vs. public entities. "I can have absolutely no influence on a private school," she complains. But why should she, unless she is a customer? That's like my saying "I can have absolutely no influence on the New York Yankees"—which is true, since I am not a sports fan. And therefore what the Yankees do is none of my business.—**R.W.P.**

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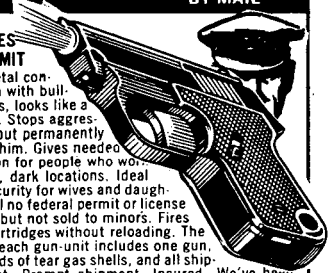
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## foreign correspondent

(Continued from p. 39.)

taking place with the aim of establishing closer collaboration, e.g. in the fields of trade relations with other countries, social policy, energy policy, environmental protection, and consumer protection. But although none of these activities have been developed to a significant degree, they might well add up to considerable integration if and when a major political step such as the establishment of a monetary union were taken.

Whether a united Europe will more easily accept libertarian ideas than a number of individual countries, I am not in a position to evaluate, but I can at least point to one aspect of the EEC where this is not the case. While the abolition of tariff barriers and quantitative restrictions may please a libertarian heart, other less obvious obstacles to the free trade exist, namely the different national regulations and specifications for various types of goods. According to the Treaty these so-called technical obstacles to trade must be eliminated which is interpreted to mean that *common* regulations must be introduced. This work of harmonization almost invariably results in EEC legislation which retains the strictest provisions of any member country. Thus, a trade barrier is established towards other countries and more stringent requirements than found necessary in any single member country are introduced and will prove very difficult to get rid of.

Anne Brincker

# Coming Next Month:

In April REASON sheds new light on that thorniest of socio-political issues: abortion. Three libertarian thinkers tackle the question, each reaching a different conclusion: Walter Block, author of *Defending the Undefendable*, contributing editor Karl Pflock, and senior editor Tibor Machan. Also in the issue will be an exclusive interview with outspoken foreign policy analyst Earl Ravenal, a discussion of the German economy by Thomas Hazlett, and a satirical look at what the Federal Reserve System *really* does, and why.

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# FREE MARKET PERSPECTIVES

**Editor: Alexander P. Paris**

## ANOTHER CREDIT CRUNCH AHEAD?
### PROFIT FROM THE CONTINUING CREDIT CRISIS

A few years ago, Alexander Paris shocked the business and investment worlds with his best-selling book, *The Coming Credit Collapse.* He vividly documented the key destructive role that years of excessive debt creation plays in our growing international and domestic economic problems . . . the rundown financial condition of our banks, corporations and individual consumers; accelerating price inflation; rising interest rates; devaluations; increasing volatility and risk in all markets; wildly gyrating currencies and much more.

Mr. Paris continues to monitor these financial trends, reporting monthly in *FREE MARKET PERSPECTIVES.* Whether you invest in real estate, common stocks, bonds, commodities, currencies, gold or any other investments, you will greatly benefit from each issue of *FREE MARKET PERSPECTIVES.*

*FREE MARKET PERSPECTIVES* is for the long-term investor who likes to make his own decisions . . . the investor who does not want to be bothered by the many short-term and emotional cross-currents in the daily news and in most investment newsletters. *FREE MARKET PERSPECTIVES* is for the investor who wants to know and understand the overall investment climate rather than being misled by increasingly volatile and treacherous short-term trends. It is the only newsletter that regularly tracks the secular economic trends by their vital credit signs while fitting short-term trends into proper investment perspective.

### A RECORD OF SUCCESS

As Mr. Paris predicted in his book, there was another in the series of increasingly serious credit crunches. That credit crunch triggered the worst recession and deepest bear market in postwar history. The recession led to a scramble for liquidity as many banks and corporations . . . both large and small . . . fell into bankruptcy! There were many other adverse effects all predicted in Mr. Paris' study of underlying credit trends. These problems are not over.

### THE CONTINUING FINANCIAL CRISIS

Unlike the belief currently held by many investors and businessmen, the possibilities of another even more serious crunch, a total credit collapse or runaway inflation have not disappeared. In fact, another credit crunch of potentially greater magnitude is nearer than most people realize. During the 1975 recession, the worst of the postwar era, the growth of credit was far faster than during any other recession in history. Credit growth accelerated even faster in 1976 and again in 1977. The prospects for runaway inflation and a credit collapse accelerate along with the rapid growth in borrowing. By understanding credit conditions, you'll be able to greatly increase your investment profits. *FREE MARKET PERSPECTIVES* gives you Alexander Paris' insight into the credit markets . . . insights you need to profit in the current complex times.

### LITTLE PUBLICIZED FACTS

- Consumers are plunging back into debt at even faster rates than in the past.
- Banks are finding new ways to put lower quality loans on their books:
  - Auto installment loans are now commonly 48 months compared to 36 months only a few years ago.
  - California banks are aggressively seeking to loan homeowners money on their inflation-bloated home equity.
  - The average maturity of bank loans outstanding is still growing.
  - Most of the highly publicized bad loans of a few years ago are still on the books of banks despite the fact that they are in default.
- Corporate loan demand is again rising strongly even after two years of record bond financing.
- We may be on the brink of a farm sector credit collapse.
- Stock market debt is at an all time record high.
- The rapid and unrestrained growth of Eurodollar credit continues to accelerate with American bankers leading the way.
- Lesser developed countries are over their heads in debt to world bankers with little or no chance of repayment.
- Eastern Bloc countries . . . including Russia . . . have run up billions of dollars of debt to U.S. banks in the last few years.
- Worldwide, the supply of money and credit is again strongly on the rise even while price inflation is still in double digits in some European countries and wage and price controls are present in most.
- The International Monetary Fund and other international agencies are preparing huge inflationary bail-outs of weaker countries.

It's obvious that the long-term financial deterioration of the U.S. and other economies is continuing. It is affecting your current investments and will be even more important in all your future plans.

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